BEFORE THE PUBLIC SERVICE COMMISSION

OF SOUTH CAROLINA

DIRECT TESTIMONY

OF

ROBERT B. HEVERT

ON BEHALF OF

SOUTH CAROLINA ELECTRIC & GAS COMPANY

DOCKET NO. 2009-489-E

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, AFFILIATION AND BUSINESS ADDRESS.

A. My name is Robert B. Hevert. I am President of Concentric Energy Advisors, Inc. ("Concentric"), located at 293 Boston Post Road West, Suite 500, Marlborough, Massachusetts 01752.

Q. ON WHOSE BEHALF ARE YOU SUBMITTING THIS TESTIMONY?

A. I am submitting this testimony on behalf of South Carolina Electric & Gas Company, referred to throughout my testimony as "SCE&G", or the "Company".

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE IN THE ENERGY AND UTILITY INDUSTRIES.

A. I received my Bachelors of Science degree in Finance from the University of Delaware, and a Master's degree in Business Administration from the University of Massachusetts. In addition, I hold the Chartered Financial Analyst designation. I began my career as a Revenue Requirements Analyst with General Telephone Company of the South, located in Durham, North Carolina. Since then, I have served as an executive and manager with other consulting firms (REED Consulting Group and Navigant Consulting, Inc.), and as a financial officer of Bay State Gas Company. I have provided testimony regarding strategic and financial matters, including the cost of capital, before several state utility regulatory agencies as well as the Federal Energy Regulatory Commission on approximately 60 occasions, and have advised numerous energy and utility clients on a wide range of financial and economic issues including both asset and corporate-based transactions. Many of those assignments have included the determination of the cost of capital for valuation purposes. A summary of my professional and educational background, including a listing of my prior testimony in prior proceedings, is included as Attachment A.

Q. PLEASE DESCRIBE CONCENTRIC'S ACTIVITIES IN ENERGY AND UTILITY ENGAGEMENTS.

A. Concentric provides financial and economic advisory services to a large number of energy and utility clients across North America. Our regulatory economic and market analysis services include utility ratemaking and regulatory advisory services; energy market assessments; market entry and exit analysis; corporate and business unit strategy development; and energy contract negotiations. Our financial advisory activities include merger, acquisition and divestiture assignments, due diligence and valuation assignments, project and corporate finance services, and transaction support services. In addition, we provide litigation support services on a wide range of financial and economic issues for clients throughout North America.

II. PURPOSE AND OVERVIEW OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my Direct Testimony is to present evidence and provide a recommendation regarding the Company's Return on Equity ("ROE") and to assess the reasonableness of its proposed capital structure.[1] My analysis and conclusions are

[1] Throughout my testimony, I interchangeably use the terms "ROE" and "Cost of Equity."

supported by the data presented in Exhibit No.___(RBH-1) through Exhibit No.___ (RBH-8), which have been prepared by me or under my direction in connection with my Direct Testimony.

Q. WHAT ARE YOUR CONCLUSIONS REGARDING THE APPROPRIATE COST OF EQUITY AND CAPITAL STRUCTURE FOR THE COMPANY?

A. My analyses indicate that the Company's Cost of Equity currently is in the range of 10.70 percent to 11.90 percent. Based on the quantitative and qualitative analyses discussed throughout my Direct Testimony, I conclude that an ROE of 11.60 percent is reasonable and appropriate. With respect to the Company's capital structure, I conclude that the Company's proposed capital structure, consisting of 52.96 percent common equity and 47.04 percent long-term debt, is reasonable.

Q. PLEASE PROVIDE A BRIEF OVERVIEW OF THE ANALYSIS THAT LED TO YOUR ROE RECOMMENDATION.

A. As discussed in more detail in Section VI, in light of recent market conditions, and given the fact that equity analysts and investors tend to use multiple methodologies in developing their return requirements, it is extremely important to consider the results of several analytical approaches in determining the Company's ROE. In order to develop my ROE recommendation, I therefore applied the Constant Growth Discounted Cash Flow ("DCF") model, the Capital Asset Pricing Model ("CAPM"), and the Risk Premium approach. As discussed later in my testimony, it is important to consider a range of factors, both quantitative and qualitative, in arriving at an ROE determination. Consequently, while I have continued to include all three models in my testimony, I have given more weight to certain of the methodological approaches.

In addition to the analyses discussed above, I considered the nature of the recent financial and economic environment, as well as the incremental risks associated with the Company's need to fund the development and construction of new nuclear generating facilities, support the financing of significant environmental-related projects at existing coal-fired generating units, and to maintain system integrity and safety in South Carolina. My recommendation also takes into consideration other factors, such as the Company's comparatively small size relative to the proxy group companies, the Company's relatively large capital expenditure program and the direct costs associated with issuing common equity. While I did not include any explicit adjustments to my ROE estimates for those factors, I did take them into consideration when determining where the Company's ROE falls within my range of analytical results.

Q. HOW IS THE REMAINDER OF YOUR DIRECT TESTIMONY ORGANIZED?

A. The remainder of my Direct Testimony is organized in seven sections. In Section III, I discuss the regulatory guidelines and financial considerations pertinent to the development of the cost of capital. Section IV briefly discusses the current capital market conditions and the effect of those conditions on the Company's Cost of Equity. Section V explains my selection of a proxy group of integrated electric utilities. Section VI describes my analyses and the analytical basis for the recommendation of the appropriate ROE for SCE&G. Section VII provides a discussion of specific business risks that have a direct bearing on the ROE to be authorized for the Company in this case. Section VIII discusses the reasonableness of the Company's proposed capital structure, and Section IX summarizes my conclusions and recommendations.

III. REGULATORY GUIDELINES AND FINANCIAL CONSIDERATIONS

Q. PLEASE DESCRIBE THE GUIDING PRINCIPLES TO BE USED IN ESTABLISHING THE COST OF CAPITAL FOR A REGULATED UTILITY.

A. The United States Supreme Court's precedent-setting *Hope* and *Bluefield* cases established the standards for determining the fairness or reasonableness of a utility's allowed ROE. Among the standards established by the Court in those cases are: (1) consistency with other businesses having similar or comparable risks; (2) adequacy of the return to support credit quality and access to capital; and (3) that the means of arriving at a fair return are not important, only that the end result leads to just and reasonable rates.[2]

[2] Bluefield Waterworks & Improvement Co., v. Public Service Commission of West Virginia, 262 U.S. 679 (1923); Federal Power Commission v. Hope Natural Gas Co., 320 U.S. 591 (1944).

Q. DOES SOUTH CAROLINA CASE PRECEDENT PROVIDE SIMILAR GUIDANCE IN ESTABLISHING THE APPROPRIATE RETURN ON COMMON EQUITY?

A. Yes. The standards established in the *Hope* and *Bluefield* decisions were acknowledged by the Public Service Commission of South Carolina (the "Commission") in the Company's rate case in an Order issued in 2005.[3] That Order outlines four principal guidelines regarding the determination of the rate of return:

- The rate of return should be sufficient to allow SCE&G the opportunity to earn a return equal to firms facing similar risks;
- The rate of return should be adequate to assure investors of the financial soundness of the utility and to support the utility's credit and ability to raise capital needed for on-going utility operations at reasonable cost;
- The rate of return should be determined with due regard for the present business and capital market conditions facing the utility; and
- The rate of return is not formula-based, but requires an informed expert judgment by the Commission balancing the interests of shareholders and customers.[4]

Based on those standards, the consequence of the Commission's order in this case should be to provide the Company with the opportunity to earn an ROE that is: (1) commensurate with returns on equity investments in enterprises having comparable risks; (2) sufficient to ensure the financial soundness of the Company's operations;

3 Public Service Commission of South Carolina, Docket No. 2004-178-E Order No. 2005-2, January 6, 2005.

4 *Ibid.*, at 85.

and (3) adequate to attract capital at reasonable terms, thereby enabling it to provide safe, reliable service. The allowed ROE should enable the Company to finance capital expenditures at reasonable rates and maintain its financial flexibility over the period during which rates are expected to remain in effect.

Q. WHY IS IT IMPORTANT FOR A UTILITY TO BE ALLOWED THE OPPORTUNITY TO EARN A RETURN ADEQUATE TO ATTRACT EQUITY CAPITAL AT REASONABLE TERMS?

A. There is a long history of precedent supporting the need for a reasonable Return on Equity, the role of capital structure, and the resulting cost of capital to establish just and reasonable rates for utility services. Among the themes common to federal court, state court and agency decisions is the principle that a utility's cost of capital (including its capital structure and allowed return on common equity) must be reflective of other enterprises having comparable risks acting independently in the financial markets. A return that is adequate to attract capital at reasonable terms enables the Company to provide safe, reliable electric service while maintaining its financial integrity. To the extent the Company is provided the opportunity to earn its market-based cost of capital, neither customers nor shareholders are disadvantaged.

While the "capital attraction" and "financial integrity" standards are important principles in normal economic conditions, the practical implications of those standards are even more pronounced in the current financial environment. As discussed in more detail in Section IV, those conditions have intensified the importance of maintaining a strong financial profile. Consequently, the Commission's order in this proceeding will have a significant impact on the Company's ability to attract capital and maintain its financial integrity.

Q. HOW DOES THE REGULATORY ENVIRONMENT IN WHICH A UTILITY OPERATES AFFECT ITS ACCESS TO AND COST OF CAPITAL?

A. The regulatory environment can profoundly affect both the access to, and cost of capital in several ways. First, there is little question that rating agencies consider the regulatory environment, including the extent to which the presiding regulatory commission is supportive of issues addressing credit quality, to be an important determinant of the subject company's credit profile. As noted by Moody's, "the predictability and supportiveness of the regulatory framework in which [a regulated utility] operates is a key credit consideration and the one that differentiates the industry from most other corporate sectors."[5] Moody's further noted that:

> For a regulated utility company, we consider the characteristics of the regulatory environment in which it operates. These include how developed the regulatory framework is; its track record for predictability and stability in terms of decision making; and the strength of the regulator's authority over utility regulatory issues. A utility operating in a stable, reliable, and highly predictable regulatory environment will be scored higher on this factor than a utility operating in a regulatory environment that exhibits a high degree of uncertainty or unpredictability. Those utilities operating in a less developed regulatory framework or one that is characterized by a high degree of political intervention in the regulatory process will receive the lowest scores on this factor.[6]

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5 Moody's Global Infrastructure Finance, *Regulated Electric and Gas Utilities*, August 2009, at 6.
6 *Ibid.*

Standard & Poor's ("S&P") notes that regulatory commissions should eliminate, or at least greatly reduce, the issue of rate-case lag. The effect of rate-case lag (sometimes referred to as "regulatory lag") on cash flows becomes especially important when a utility engages in a sizable capital expenditure program.[7] Moody's agrees that timely cost recovery is an important determinant of credit quality, stating that "[t]he ability to recover prudently incurred costs in a timely manner is perhaps the single most important credit consideration for regulated utilities, as the lack of timely recovery of such costs has caused financial distress for utilities on several occasions."[8]

It also is important to note that regulatory decisions regarding the ROE and capital structure have direct consequences for the subject utility's internal cash flow generation (sometimes referred to as "Funds Flow from Operations," or "FFO"). Since credit ratings are intended to reflect the ability to meet financial obligations as they come due, the ability to generate the cash flows required to meet those obligations (and to provide an additional amount for unexpected events) is of critical importance to debt investors. Two of the most important metrics used to assess that ability are the ratios of FFO to debt and FFO to interest expense, both of which are directly affected by regulatory decisions regarding the appropriate rate of return, and capital structure.

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7 Standard and Poor's, *Assessing Vertically Integrated Utilities' Business Risk Drivers*, U.S. Utilities and Power Commentary, November 2006, at 10.

8 Moody's, Global Infrastructure Finance, *Regulated Electric and Gas Utilities*, at 1.

Q. WHAT ARE YOUR CONCLUSIONS REGARDING REGULATORY GUIDELINES AND CAPITAL MARKET EXPECTATIONS?

A. The ratemaking process is premised on the principle that, in order for investors and companies to commit the capital needed to provide safe and reliable utility services, the utility must have the opportunity to recover the return of invested capital and the market-required return on that capital. Regulatory commissions recognize that since utility operations are capital intensive, regulatory decisions should enable the subject company to attract capital at reasonable terms; doing so balances the long-term interests of customers and ratepayers. The financial community carefully monitors the current and expected financial condition of utility companies, as well as the regulatory process to which they are subject. In that respect, the regulatory environment is one of the most important factors considered in both debt and equity investors' assessments of risk.

Therefore, it is important for the ROE authorized in this proceeding to take into consideration the capital market conditions with which the Company must contend, as well as investors' expectations and requirements for both risks and returns. Finally, in light of recent capital market conditions and the Company's capital investment plans, it is especially important that the Company be afforded the opportunity to maintain an adequate financial profile, and earn a reasonable return.

IV. CURRENT CAPITAL MARKET ENVIRONMENT

Q. HOW DO ECONOMIC CONDITIONS INFLUENCE THE REQUIRED COST OF CAPITAL AND REQUIRED RETURN ON COMMON EQUITY?

A. The required cost of capital, including the ROE, is a function of prevailing and expected financial market conditions. Consistent with the *Hope* and *Bluefield* decisions, the authorized ROE for a public utility should allow the company to attract investor capital at reasonable cost under a variety of economic and financial market conditions. The ability to attract capital on reasonable terms is especially important for utilities such as South Carolina Electric & Gas Company that have invested in the environmental remediation of existing generating facilities and plan to invest considerable amounts of capital in investments in new nuclear generating facilities, as well as in maintaining and enhancing transmission and distribution system reliability. As such, the Commission's order regarding both the Return on Equity and the capital structure will have a direct bearing on the Company's financial profile and, therefore, its ability to attract capital at reasonable terms.[9]

Q. HOW HAVE THE CURRENT CAPITAL MARKET CONDITIONS AFFECTED THE AVAILABILITY AND COST OF CAPITAL?

A. The widely discussed financial market crisis and the following recession led to a general decrease in the availability of, and an increase in, the cost of both debt and equity capital for all market sectors, including utilities. While these conditions have

[9] The Company's ability to attract capital and thereby fund its nuclear and non-nuclear capital expenditure programs going forward would be enhanced by a decision by the Commission in this case that is perceived by investors as supportive of the long-term investment plans previously communicated by the Company to the investment community.

moderated since early 2009, investors continue to be concerned with risks associated with a diminished financial profile. As discussed in more detail below, the incremental borrowing cost of a one "grade" deterioration in credit rating is considerably higher than historical levels. The combined effects of regulatory lag, uncertain capital cost recovery, and heightened levels of risk aversion have been noted by industry analysts. As Barclays observed, "[i]n the long term, structural headwinds should persist for regulated utilities, owing to risks associated with capital acquisition, construction execution, and regulatory recovery in a rising rate-base environment."[10] In that respect, both the Dow Jones Utility Average and the proxy group used in my analyses considerably under-performed the general market during the late 2009 market rally (*see* Table 1, below).

Table 1: Dow Jones Industrial Average, Dow Jones Utility Average and Proxy Group Average Price Performance (2008-2009)

	DJIA	DJUA	Proxy Group Average
2009[11]	17.65%	(0.91%)	3.29%

Q. ARE THERE ANY OBSERVABLE BENCHMARKS TO EVALUATE CHANGES IN THE COST OF CAPITAL?

A. Yes. A directly observable measure of the increased cost of capital for utilities is the level of credit spreads (*i.e.*, the difference between the yield on corporate debt and the yield on equivalent term Treasury securities). As shown in Table 2 (below), the difference in credit spreads between A and Baa-rated (Moody's) utility debt increased

[10] Barclays Capital Equity Research Americas, *Utilities: Capital Management*, July 16, 2009, at 5.
[11] December 31, 2008 – February 26, 2010.

significantly since the beginning of 2007, and is approximately two times the average difference from 2002 through 2006.[12]

Table 2: Incremental Credit Spreads on A and Baa Rated Utility Bond Indices[13]

	Average 2002 - 2006	Average 2007 - Present	Current 6 Month Avg.	Current 3 Month Avg.
A-Rated Utility Bond Credit Spread	1.45%	1.81%	1.37%	1.25%
Baa-Rated Utility Bond Credit Spread	1.79%	2.45%	1.95%	1.71%
Difference In Credit Spreads	0.34%	0.64%	0.59%	0.46%
Note: Credit spreads measured against 30-year Treasury Bond yield				

Q. WHAT CONCLUSIONS CAN BE DRAWN FROM THAT DATA?

A. The principal conclusion is that while the extraordinarily high level of credit spreads seen earlier in 2009 has narrowed, the incremental cost associated with a diminished credit rating remains at relatively high levels. Under these conditions, regulatory policies that are perceived as unsupportive of credit quality may well add to ratings pressure. To the extent that is the case, the Commission's decision in this proceeding would have a direct bearing on the Company's overall cost of capital.

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12 Based on 2007 to present.

13 Source: Bloomberg. Data represents the average for the noted periods. Data represents period ended February 26, 2010.

Q. TURNING NOW TO THE EQUITY MARKET, WHAT DOES MARKET VOLATILITY TELL US ABOUT THE PERCEIVED LEVEL OF INVESTMENT RISK AND THE RETURN REQUIREMENTS OF INVESTORS?

A. From an equity investor's perspective, increased volatility represents increased investment risk. Since investors require higher returns as compensation for taking on higher levels of risk, periods of marked increases in price and return volatility also are periods of increased return requirements. It is clear that market volatility increased dramatically during the economic and financial crisis, and remains high relative to historical averages. To that point, the Chicago Board Options Exchange Volatility Index (the "VIX"), which is a widely recognized measure of market volatility, provides important insight to investors' view of expected volatility and, therefore, their return requirements.

The average level of the VIX since its inception in 1990 has been 20.30, implying an average expected volatility of 20.30 percent. During the height of the economic and credit crisis, however, the VIX index exceeded 80.00, and the VXV (the three-month volatility index) approached 70.00, which demonstrates the extreme risk aversion that gripped market participants. The anticipated market price for the VIX in August 2010, as indicated by the average of recent settlement prices of futures contracts associated with the VIX index, is 25.01.[14] Investors require additional returns to take on additional risks - volatility being the primary financial risk faced by equity investors. The elevated level of the VIX indicates a heightened level of volatility.

[14] *See* Exhibit No.___ (RBH-2).

Consequently, investors' return requirements would be expected to be higher in order to compensate them for the risks and uncertainty associated with elevated market volatility.

Q. HOW HAVE OTHER UTILITIES RESPONDED TO THESE FINANCIAL MARKET CONDITIONS?

A. In general, utilities have responded by adjusting their financing strategies and optimizing the financial liquidity derived from internal operations. In addition, utilities are continuing to focus on strengthening their balance sheets, maintaining liquidity, and searching for additional sources of capital. In order to do so, they have placed a high priority on managing internal cash flows, containing both operating and capital costs, and allocating capital to jurisdictions and operations with higher expected returns. Recently, there have been several announcements by utilities regarding planned reductions in capital expenditures and dividends. Three companies cut dividends in 2009 (Ameren Corporation, Constellation Energy Group, Inc., and Great Plains Energy, Inc.). In contrast, only one other electric utility cut its dividend in the years from 2004 through 2009.[15] Due to the magnitude of the dividend cuts conducted by those three companies, the dividend growth rate for the utility sector was negative in 2009.[16]

Q. WHAT CONCLUSIONS DO YOU DRAW FROM THESE ANALYSES?

A. First, it is important to recognize that the assessment of market conditions must be made in the context of multiple indices since any single measure may provide

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15 Serzan, Tom and Geetha Ramachandran, Electric *Utility Dividend Changes: 2000-2009*, SNL Financial, 7 Jan 2007.

16 *Ibid.*

incomplete or misleading conclusions. It would be inappropriate, for example, to view the current level of Treasury yields as indicative of a lower cost of capital when the persistently high credit spreads between A and Baa rated utility bonds suggest risk aversion and an increased cost for higher risk investments. Moreover, in light of the recent capital market dislocation, it is extremely important to assess the reasonableness of financial model results in the context of observable market data. To the extent that certain estimates are incompatible with such benchmarks, or inconsistent with basic financial principles, it is appropriate to consider whether alternative estimation techniques are likely to provide more meaningful and reliable results.

V. PROXY GROUP SELECTION

Q. PLEASE EXPLAIN WHY YOU HAVE USED A GROUP OF PROXY COMPANIES TO DETERMINE THE COST OF EQUITY FOR SOUTH CAROLINA ELECTRIC & GAS COMPANY.

A. First, it is important to bear in mind that the Cost of Equity for a given enterprise depends on the risks attendant to the business in which the company is engaged. According to financial theory, the aggregate risk of a given company is equal to the market value weighted average of the constituent business units. In this proceeding, we are focused on estimating the Cost of Equity for South Carolina Electric & Gas Company, which is an operating subsidiary of SCANA Corporation. Since the ROE is a market-based concept and SCE&G is not a publicly traded entity, it is necessary to establish a group of companies that are both publicly traded and comparable to the

Company in certain fundamental business and financial respects to serve as its "proxy" in the ROE estimation process.

Even if SCE&G were a publicly traded entity, it is possible that transitory events could bias its market value in one way or another over a given period of time. A significant benefit of using a proxy group, therefore, is that it serves to moderate the effects of anomalous events that may be associated with any one company. The proxy companies used in my analyses all possess a set of operating and risk characteristics that are substantially comparable to the Company, and thus provide a reasonable basis for the derivation and assessment of ROE estimates.

The importance of selecting a proxy group that is similar in overall financial and business risk to the subject company was endorsed by the United States Court of Appeals for the District of Columbia (the "Court of Appeals") in the *Petal Gas Storage* decision. The Court of Appeals acknowledged that the goal of a proxy group is to rely on companies that are of similar risk to the subject company for the determination of Cost of Equity:

> That proxy group arrangements must be risk-appropriate is the common theme in each argument. The principle is well-established. See Hope Natural Gas Co., 320 U.S. at 603 ("[T]he return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks."); CAPP I, 254 F.3d at 293 ("[A] utility must offer a risk-adjusted expected rate of return sufficient to attract investors."). The principle captures what proxy groups do, namely, provide market-determined stock and dividend figures from public companies comparable to a target company for which those figures are unavailable. CAPP I, 254 F.3d at 293–94. Market determined stock figures reflect a company's risk level and,

> when combined with dividend values, permit calculation of the "risk-adjusted expected rate of return sufficient to attract investors."[17]
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> What matters is that the overall proxy group arrangement makes sense in terms of relative risk and, even more importantly, in terms of the statutory command to set "just and reasonable" rates, 15 U.S.C. § 717c, that are "commensurate with returns on investments in other enterprises having corresponding risks" and "sufficient to assure confidence in the financial integrity of the enterprise . . . [and] maintain its credit and . . . attract capital," Hope Natural Gas Co., 320 U.S. at 603.[18]

Thus, regulatory commissions and analysts alike recognize the importance of developing a proxy group that adequately represents the ongoing risks and prospects of the subject company.

Q. DOES THE RIGOROUS SELECTION OF A PROXY GROUP SUGGEST THAT ANALYTICAL RESULTS WILL BE TIGHTLY CLUSTERED AROUND AVERAGE (*I.E.*, MEAN) RESULTS?

A. Not necessarily. The DCF approach is based on the theory that a stock's current price represents the present value of its future expected cash flows. The Constant Growth form of the DCF model is defined as the sum of the expected dividend yield and projected long-term growth. Notwithstanding the care taken to ensure risk comparability, market expectations with respect to future risks and growth opportunities will vary from company to company. Therefore, even within a group of similarly situated companies, it is common for analytical results to reflect a seemingly wide range. At issue, then, is how to select an ROE estimate in the context of that

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17 Petal Gas Storage v. FERC, 496 F.3d 695, 699 (D.C. Cir. 2007), at 5.

18 *Ibid.,* at 7.

range. That determination necessarily must be based on the informed judgment and experience of the analyst.

Q. PLEASE PROVIDE A SUMMARY PROFILE OF SOUTH CAROLINA ELECTRIC & GAS COMPANY.

A. South Carolina Electric & Gas Company provides electric generation, transmission and distribution services in central, southern and southwestern portions of South Carolina to approximately 654,000 retail customers. SCANA's current S&P issuer credit rating is BBB+ (outlook: Stable)[19] and Baa2 (outlook: Negative) by Moody's Investors Service ("Moody's").[20] South Carolina Electric & Gas Company currently is rated BBB+ by S&P and Baa1 by Moody's.[21] As discussed further in Section VII, Moody's, S&P, and FitchRatings ("Fitch") all recently downgraded SCANA and its subsidiaries. Table 3 provides summary financial and operating statistics for South Carolina Electric & Gas Company for the most recent three years.

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19 Standard & Poor's Ratings Direct, SCANA Corp., April 22, 2009, at 4.

20 Moody's Investor Services, Global Credit Research, Rating Action, SCANA Corp., July 14, 2009.

21 A long-term *issue* rating evaluates the issuing company's ability to meet its financial obligations on a timely basis, and may address issues such as collateral security and subordination. A long-term *issuer* credit rating is an opinion of the subject company's overall financial capacity to pay its financial obligations, and does not apply to a specific financial obligation. Standard & Poor's RatingsDirect, Standard & Poor's Ratings Definitions, December 1, 2008, at 3.

Table 3: South Carolina Electric & Gas Company

Operating and Financial Results 2006 to 2008[22]

$ IN THOUSANDS	**2006**	**2007**	**2008**
Operating Margin	$897,660	$909,388	$973,188
Utility Operating Income	$332,903	$330,431	$363,663
Net Property, Plant and Equipment[23]	$4,870,244	$5,236,448	$5,593,428
Average Electric Sales Customers	616,650	633,587	646,537
Total Sales of Electricity (MWh)	24,538,372	24,888,263	24,286,576
Utility Property Additions and Construction Expenditures[24]	409,000	613,000	739,000

Q. HOW DID YOU SELECT THE COMPANIES INCLUDED IN YOUR PROXY GROUP?

A. With the objective of selecting a proxy group that is highly representative of the risks and prospects faced by SCE&G, I used the following criteria:

- I began with the universe of companies that Value Line classifies as Electric Utilities, which includes a group of 54 domestic U.S. utilities;
- I excluded companies that do not pay consistent quarterly cash dividends;
- I selected companies that are covered by at least two utility industry equity analysts;
- I selected companies that have senior bond and/or corporate ratings of BBB to AA;

22 Company FERC Form 1 reports for years 2008, 2007, and 2006, except as noted. 2009 data was not available at time of filing.

23 Numbers exclude Construction Work in Progress ("CWIP").

24 SCANA Corp., SEC Form 10-K, December 31, 2008, at 182 of 511. SCANA Corp., SEC Form 10-K, December 31, 2009, at 101.

- I selected proxy companies that are vertically integrated utilities (i.e., utilities that own and operate regulated generating assets);
- I excluded companies whose regulated revenues and net income in 2007, 2008 and 2009 comprised less than 60.00 percent of the respective totals for the company;
- I excluded companies whose regulated electric revenues and operating income in 2007, 2008 and 2009 represented less than 90.00 percent of total regulated revenues and operating income;
- I excluded companies whose coal-fired generation constituted less than 10.00 percent of the generation resource portfolio; and
- Finally, I eliminated any companies that are currently known to be party to a merger, or other significant transaction.

Q. DID YOU INCLUDE SCANA IN YOUR ANALYSIS?

A. No, I did not. Because SCANA has significant natural gas utility and transmission operations, it would not meet my electric utility revenue and operating income screens. In any event, in order to avoid the circular logic that otherwise would occur, it is my practice to exclude the subject company from the proxy group.

Q. WHY IS IT IMPORTANT TO CONSIDER ONLY COMPANIES WHOSE RESOURCE PORTFOLIOS INCLUDE COAL-FIRED GENERATING ASSETS?

A. South Carolina Electric & Gas Company's operations are heavily dependent on coal-fired generation (nearly 60.00 percent of the Company's generation).[25] In general, capital-intensive baseload generation assets such as coal-fired plants face risks associated with capital recovery in the event of market structure changes or plant failure, or replacement cost recovery in the event of extended or unplanned outages. In addition, coal-fired assets may require significant increases in capital requirements to comply with changes in environmental policies. This is particularly relevant in light of the potential for regulation of carbon emissions by the United States Environmental Protection Agency ("EPA"). On December 7, 2009 the EPA classified carbon dioxide as a danger to public health in an "endangerment finding" under the Clean Air Act, creating the potential for additional litigation and regulatory uncertainty.

More recently, on January 27, 2009 the Securities and Exchange Commission voted to provide companies with "interpretive guidance" regarding disclosure requirements as they relate to the issue of climate change. More specifically, the SEC's guidance provides examples of areas in which issues may "trigger" disclosure requirements as they relate to climate change. Among those areas are: (1) Impact of Legislation and

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[25] SCANA 2009 SEC Form 10-K, at 10. Based on a three year average of MWh produced from 2007 to 2009.

Regulation; and (2) Indirect Consequences of Regulation or Business Trends. Regarding the former, the SEC noted that:

> [w]hen assessing potential disclosure obligations, a company should consider whether the impact of certain existing laws and regulations regarding climate change is material. In certain circumstances, a company should also evaluate the potential impact of pending legislation and regulation related to this topic. [26]

With respect to Indirect Consequences, the SEC noted that:

> [l]egal, technological, political and scientific developments regarding climate change may create new opportunities or risks for companies. For instance, a company may face decreased demand for goods that produce significant greenhouse gas emissions or increased demand for goods that result in lower emissions than competing products. As such, a company should consider, for disclosure purposes, the actual or potential indirect consequences it may face due to climate change related regulatory or business trends.[27]

As a result of the increased likelihood of carbon emissions regulation, investors see coal generation as taking on even greater risk. Otter Tail Power Company ("Otter Tail Power") withdrew as a participating utility and lead developer in the Big Stone II project. Explaining the decision to withdraw from the project, Otter Tail Power Company President and CEO Chuck MacFarlane noted "a high level of uncertainty associated with proposed federal climate legislation and existing federal environmental regulation have resulted in challenging credit and equity markets."[28] Subsequent to Otter Tail Power's withdrawal from the project, the entire plant was cancelled. The South Carolina Public Service Authority ("Santee Cooper") also

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[26] Securities and Exchange Commission, *SEC Issues Interpretive Guidance on Disclosure Related to Business or Legal Developments Regarding Climate Change,* Release 2010-15, January 27, 2010.

[27] *Ibid.*

[28] *Otter Tail Power Company Announces Withdrawal from Big Stone II*, Otter Tail Corporation Company Release, September 11, 2009.

stopped development of the Pee Dee coal plant in 2009. O.L. Thompson, Chairman of Santee Cooper, cited looming federal carbon legislation as a factor in the decision stating that "proposed federal government regulations would significantly increase the operating costs of coal-fired power plants."[29]

The Sierra Club has noted that in 2009, no new coal plants began construction in the United States, stating that "[i]n 2009, twenty-six coal-fired power plants…were defeated or abandoned."[30] Similarly, in a recent article in the Wall Street Journal, the Edison Electric Institute ("EEI") noted that there have been 43 coal plants cancelled or deferred since 2008.[31]

Given the increasing regulatory and legislative focus on, and the costs associated with environmental compliance for companies such as South Carolina Electric & Gas Company that are dependent on coal-fired generation, it is important to exclude companies that do not have a meaningful amount of coal-fired generation in their resource portfolio.

Q. HOW MANY COMPANIES MET YOUR SCREENING CRITERIA?

A. The criteria discussed above resulted in a proxy group of the following eight companies:

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29 *Santee Cooper drops plan for Pee Dee coal plant*, SNL, August 24, 2009.

30 *No New Coal Plants Started in 2009; Year End State of Coal*, Sierra Club Press Release, December 21, 2009.

31 Smith, Rebecca, *Turmoil in Power Sector*, Wall Street Journal, January 14, 2010.

Table 4: Initial Screening Results

Company	Ticker
American Electric Power	AEP
Cleco Corp.	CNL
DPL, Inc.	DPL
IDACORP, Inc.	IDA
Northeast Utilities	NU
Portland General	POR
Progress Energy	PGN
Southern Company	SO

Q. IS THIS YOUR FINAL PROXY GROUP?

A. No, it is not. Duke Energy Corp. ("Duke") failed to meet one screening criterion, the percentage of revenue and net income derived from utility operations, but only by a small margin.[32] Given Duke's comparability to SCE&G in other important respects, including the fact that it also is subject to the Commission's jurisdiction, I have included Duke in my final proxy group. That group, then, includes the following nine companies:

[32] Duke failed to pass that criterion by approximately 1.11 percent.

Table 5: Final Proxy Group

Company	Ticker
American Electric Power	AEP
Cleco Corp	CNL
DPL, Inc.	DPL
Duke Energy Corp.	DUK
IDACORP, Inc.	IDA
Northeast Utilities	NU
Portland General	POR
Progress Energy	PGN
Southern Company	SO

Q. DO YOU BELIEVE THAT A TOTAL OF NINE COMPANIES CONSTITUES A SUFFICIENTLY LARGE PROXY GROUP?

A. Yes, I do. The analyses performed in estimating the ROE are more likely to be representative of the subject utility's Cost of Equity to the extent that the chosen proxy companies are fundamentally comparable to the subject utility. Because all analysts use some form of screening process to arrive at a proxy group, the group, by definition, is not randomly drawn from a larger population. Consequently, there is no reason to place more reliance on the quantitative results of a larger proxy group simply by virtue of the resulting larger number of observations.

Moreover, because I am using market-based data, my analytical results will not necessarily be tightly clustered around a central point. Results that may be somewhat dispersed, however, do not suggest that the screening approach is inappropriate or the results less meaningful. Further, including companies whose fundamental comparability is tenuous at best, simply for the purpose of expanding the number of observations does not add relevant information to the analysis. To that point, the New Hampshire Public Utility Commission recognized that comparability is more important than the size of the proxy group:

> [T]he DCF is an economic theory for which a more comparable sample, rather than a larger sample, produces results that are more likely to be representative of the subject utility. The size of the sample is irrelevant when, as here, the sample is not random.[33]

It also is important to note that this Commission acknowledged that the determination of the appropriate ROE is not formula based, but rather requires the application of expert judgment.[34] Consequently, the use of a larger proxy group for the purpose of enhancing statistical measures of central tendency, at the cost of reduced comparability, provides no further analytical benefit.

Q. WHY DID YOU NOT INCLUDE A SCREEN TO EXCLUDE COMPANIES WITH NO NUCLEAR GENERATING ASSETS?

A. Imposing a screen for nuclear generation (similar to the coal generation screen) of 10.00 percent would have reduced the number of proxy companies from nine to only three. In my judgment, rather than including a proxy group of three companies, it is more appropriate to adjust my recommended return on equity based on the incremental risks implicit in the construction and operation of nuclear generating capacity. I discuss this incremental risk further in Section VII.

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[33] Re: Verizon New Hampshire, 232 P.U.R. 4th 24 (N.H. P.U.C., 2004).

[34] Docket No. 2004-178-E, Order No. 2005-2, January 6, 2005.

VI. COST OF EQUITY ESTIMATION

Q. PLEASE BRIEFLY DISCUSS THE ROE IN THE CONTEXT OF THE REGULATED RATE OF RETURN.

A. Regulated utilities primarily use common stock and long-term debt to finance their permanent property, plant and equipment. The rate of return ("ROR") for a regulated utility is based on its weighted average cost of capital, in which the costs of the individual sources of capital are weighted by their respective book values. While the cost of debt can be directly observed, the Cost of Equity is market-based and, therefore, must be estimated based on observable market information.

Q. HOW IS THE REQUIRED ROE DETERMINED?

A. The required ROE is estimated by using one or more analytical techniques that rely on market-based data to quantify investor expectations regarding required equity returns, adjusted for certain incremental costs and risks. I then apply my informed judgment, based on the results of those analyses, to determine where within the range of results the Company's ROE falls. The resulting adjusted ROE serves as the recommended ROE for ratemaking purposes. As a general proposition, the key consideration in determining the Cost of Equity is to ensure that the methodologies employed reasonably reflect investors' view of the financial markets in general, and the subject company's common stock in particular.

Q. WHAT METHODS DID YOU USE TO DETERMINE THE COMPANY'S ROE?

A. I used the DCF model as the initial approach; I then considered the results of the CAPM and an alternative Risk Premium approach in assessing the reasonableness of the DCF results and developing my ROE recommendation.

Q. WHY DO YOU BELIEVE IT IS IMPORTANT TO USE MORE THAN ONE ANALYTICAL APPROACH?

A. Because the Cost of Equity is not directly observable, it must be estimated based on both quantitative and qualitative information. As a result, a number of models have been developed to estimate the Cost of Equity. When faced with the task of estimating the Cost of Equity, analysts are inclined to gather and evaluate as much relevant data as reasonably can be analyzed. For that reason, I use multiple approaches to estimate the Cost of Equity used in performing valuations in the context of our financial advisory and transaction practices. As a practical matter, all of the models available to estimate the Cost of Equity are subject to limiting assumptions or other methodological constraints. Consequently, many finance texts recommend using multiple approaches when estimating the Cost of Equity. Copeland, Koller and Murrin,[35] for example, suggest using the CAPM and Arbitrage Pricing Theory model, while Brigham and Gapenski[36] recommend the CAPM, DCF and "bond yield plus risk premium" approaches.

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35 Tom Copeland, Tim Koller and Jack Murrin, Valuation: Measuring and Managing the Value of Companies, 3rd ed. (New York: McKinsey & Company, Inc., 2000), at 214.

36 Eugene Brigham, Louis Gapenski, Financial Management: Theory and Practice, 7th Ed. (Orlando: Dryden Press, 1994), at 341.

In essence, analysts and academics understand that ROE models simply are tools to be used in the ROE estimation process and that strict adherence to any single approach or the specific results of any single approach can lead to flawed and irrelevant conclusions. That position is consistent with the *Hope* and *Bluefield* finding that it is the analytical result, as opposed to the methodology, that is controlling in arriving at ROE determinations. Thus, a reasonable ROE estimate appropriately considers alternate methodologies and the reasonableness of their individual and collective results.

The purpose of this analysis is to determine a reasonable estimate of the required market cost of equity. Although we cannot directly observe the Cost of Equity, we can observe the methods frequently used by analysts to arrive at their return requirements and expectations. While investors and analysts tend to use multiple approaches in developing their estimate of return requirements, each methodology requires certain judgment with respect to the reasonableness of assumptions and the validity of proxies in its application.

Thus, a reasonable ROE estimate appropriately considers alternate methodologies and the reasonableness of their individual and collective results. At the same time, it is important to recognize that the recent capital market dislocation may have significant effects on the models' inputs, producing anomalous or counter-intuitive results. In the case of the CAPM, for example, long-term Treasury yields have only recently begun to recover from extremely low levels.[37] When viewed in isolation, low Treasury yields may be seen as a sign of low capital costs, but other data (such as credit spreads and expected equity market volatility) indicate otherwise.[38]

Constant Growth DCF Model

Q. ARE DCF MODELS WIDELY USED TO DETERMINE THE ROE FOR REGULATED UTILITIES?

A. Yes. DCF models are widely used in regulatory proceedings and have sound theoretical bases, although neither the DCF model nor any other model can be applied without considerable judgment in the selection of data and the interpretation of results. In its simplest form, the DCF model expresses the Cost of Equity as the sum of the expected dividend yield and long-term growth rate.

Q. PLEASE DESCRIBE THE DCF APPROACH.

A. The DCF approach is based on the theory that a stock's current price represents the present value of all expected future cash flows. In its most general form, the DCF model is expressed as follows:

$$P_0 = \frac{D_1}{(1+k)} + \frac{D_2}{(1+k)^2} + ... + \frac{D_\infty}{(1+k)^\infty} \quad [1]$$

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37 Brown, Matthew and Theresa Barraclough, *Thirty-Year Treasury Yields Near Seven-Month High Before Sale*, Bloomberg, January 14, 2010.

38 Please also note that the Federal Reserve's recent policy of quantitative easing, purchasing large amounts of government bonds and mortgage-related securities, kept interest rates artificially below market rates. (Gross, Bill. *Investor Outlook,* PIMCO, Nov 2009).

Where P_0 represents the current stock price, D_1 … D_∞ are all expected future dividends, and k is the discount rate, or required ROE. Equation [1] is a standard present value calculation that can be simplified and rearranged into the familiar form:

$$k = \frac{D(1+g)}{P_0} + g \quad [2]$$

Equation [2] is often referred to as the "Constant Growth DCF" model in which the first term is the expected dividend yield and the second term is the expected long-term growth rate.

Q. WHAT ASSUMPTIONS ARE REQUIRED FOR THE DCF MODEL?

A. The DCF model requires the following assumptions: (1) a constant average growth rate for earnings and dividends; (2) a stable dividend payout ratio; (3) a constant price-to-earnings multiple; and (4) a discount rate greater than the expected growth rate. To the extent that any of these assumptions are violated, considered judgment and/or specific adjustments should be applied to the results.

Dividend Yield for the DCF Model

Q. WHAT MARKET DATA DID YOU USE TO CALCULATE THE DIVIDEND YIELD IN YOUR DCF MODEL?

A. The dividend yield in my DCF model is based on the proxy companies' current annual dividend and average closing stock prices over the 30, 90, and 180-trading days ended February 26, 2010.

Q. WHY DID YOU USE 30-DAY, 90-DAY, AND 180 DAY AVERAGING PERIODS?

A. I believe it is important to use an average of recent trading days to calculate the term P_0 in the DCF model to ensure that the calculated ROE is not skewed by anomalous events that may affect stock prices on any given trading day. In that regard, the averaging period should be reasonably representative of expected capital market conditions over the long term. At the same time, it is important to reflect the extraordinary conditions that have defined the financial markets over the recent past. In my view, the use of the 30, 90 and 180-day averaging periods reasonably balances those concerns.

Q. PUTTING ASIDE THE ISSUE OF THE AVERAGING PERIOD, DID YOU MAKE ANY ADJUSTMENTS TO THE DIVIDEND YIELD TO ACCOUNT FOR PERIODIC GROWTH IN DIVIDENDS?

A. Yes. Since utility companies tend to increase their quarterly dividends at different times throughout the year, it is reasonable to assume that dividend increases will be evenly distributed over calendar quarters. Given that issue of dividend payment timing, it is reasonable to apply one-half of the expected annual dividend growth for purposes of calculating the expected dividend yield component of the DCF model. This adjustment ensures that the expected dividend yield is, on average, representative of the coming twelve-month period, and does not overstate the aggregated dividends to be paid during that time. Accordingly, the DCF estimates provided in Exhibit No.___(RBH-1) reflect one-half of the expected growth in the dividend yield component of the model.

Growth Rates for the DCF Model

Q. IS IT IMPORTANT TO SELECT APPROPRIATE MEASURES OF LONG-TERM GROWTH IN APPLYING THE DCF MODEL?

A. Yes. In its constant growth form, the DCF model (*i.e.*, Equation [2]) assumes a single growth estimate in perpetuity. Accordingly, in order to reduce the long-term growth rate to a single measure, one must assume a constant payout ratio, and that earnings per share, dividends per share and book value per share all grow at the same constant rate. Over the long run, however, dividend growth can only be sustained by earnings growth. Consequently, it is important to incorporate a variety of measures of long-term earnings growth into the constant growth DCF model. This can be accomplished by averaging those measures of long-term growth that tend to be least influenced by capital allocation decisions that companies may make in response to near-term changes in the business environment. Since such decisions may directly affect near-term dividend payout ratios, estimates of earnings growth are more indicative of long-term investor expectations than are dividend growth estimates. Therefore, for the purposes of the Constant Growth form of the DCF model, growth in earnings per share ("EPS") represents the appropriate measure of long-term growth.

Results for Constant Growth DCF Model

Q. PLEASE SUMMARIZE YOUR INPUTS TO THE CONSTANT GROWTH DCF MODEL.

A. I applied the DCF model to the proxy group of nine integrated electric utility companies using the following inputs for the price and dividend terms:

1. The average daily closing prices for the 30-trading days, 90-trading days, and 180-trading days ended February 26, 2010 for the term P0; and
2. The annualized dividend per share as of February 26, 2010 for the term D0.

I then calculated the DCF results using each of the following growth terms:

1. The Zacks consensus long-term earnings growth estimates;
2. The First Call consensus long-term earnings growth estimates; and
3. The Value Line earnings growth estimates.

Q. HOW DID YOU CALCULATE THE HIGH AND LOW DCF RESULTS?

A. I calculated the mean high DCF result using the maximum growth rate (*i.e.*, the maximum of the Value Line, Zack's, and First Call EPS growth rates) in combination with the dividend yield for each of the proxy group companies. Thus, the mean high result reflects the average maximum DCF result for the proxy group. I used a similar approach to calculate the mean low results, using the minimum growth rate for each proxy group company. This approach is consistent with previous Commission orders which have found the earnings growth DCF model, based on analysts' growth rates from consensus earnings forecast services, to be the most reliable.[39] The Commission has previously accepted testimony which has relied on estimates provided by Zacks, Value Line, Yahoo/Thomson, Schwab, I/B/E/S and First Call.[40] Those sources are highly consistent with the sources of long-term earnings growth estimates used in my DCF analyses.

Q. WHAT ARE THE RESULTS OF YOUR DCF ANALYSIS?

A. As noted in Table 6 (below), (*see* also, Exhibit No.___(RBH-1)) the unadjusted mean DCF results for my proxy group are 10.59 percent, 10.60 percent, and 10.77 percent for the 30, 90, and 180-trading day periods, respectively. The mean high DCF result for the 30, 90, and 180-day averaging periods are 11.56 percent, 11.57 percent, and 11.73 percent respectively.

Table 6: Mean DCF Results

	Mean Low	Mean	Mean High
30-Day Average	9.82%	10.59%	11.56%
90-Day Average	9.83%	10.60%	11.57%
180-Day Average	9.99%	10.77%	11.73%

Q. DID YOU UNDERTAKE ANY ADDITIONAL ANALYSES TO SUPPORT YOUR DCF MODEL RESULTS?

A. Yes. As noted earlier, I also used the CAPM and the Risk Premium approach as a means of assessing the reasonableness of my DCF results.

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39 Public Service Commission of South Carolina, Docket No. 2002-223-E, Order No. 2003-38, January 31, 2003, at 63-65.

40 Direct Testimony of Burton G. Malkiel, Docket No. 2004-178-E, at 19; Direct Testimony of L.E. Pilalis, Docket No. 2004-178-E, "DCF Cost of Common Equity Derivation, Appendix A," at 1.

CAPM Analysis

Q. PLEASE BRIEFLY DESCRIBE THE GENERAL FORM OF THE CAPITAL ASSET PRICING MODEL.

A. The CAPM is a risk premium approach that estimates the cost of equity for a given security as a function of a risk-free return plus a risk premium (to compensate investors for the non-diversifiable or "systematic" risk of that security). As shown in Equation [3], the CAPM is defined by four components, each of which theoretically must be a forward-looking estimate:

$$K_e = r_f + \beta(r_m - r_f) \quad [3]$$

where:

K_e = the required market ROE;

β = Beta of an individual security;

r_f = the risk free rate of return; and

r_m = the required return on the market as a whole.

In this specification, the term $(r_m - r_f)$ represents the market risk premium. According to the theory underlying the CAPM, since unsystematic risk can be diversified away, investors should be concerned only with systematic or non-diversifiable risk. Non-diversifiable risk is measured by Beta, which is defined as:

$$\beta = \frac{Covariance(r_e, r_m)}{Variance(r_m)} \quad [4]$$

The variance of the market return, noted in Equation [4], is a measure of the uncertainty of the general market, and the covariance between the return on a specific security and the market reflects the extent to which the return on that security will respond to a given change in the market return. Thus, Beta represents the risk of the security relative to the market.

Q. WHAT ASSUMPTIONS DID YOU USE IN YOUR CAPM MODEL?

A. Since both the DCF and CAPM models assume long-term investment horizons, I used the 30-day average yield on 30-year Treasury Bonds and the projected 30-year Treasury yield as my estimate of the risk-free rate. I incorporated expected (*ex-ante*) measures of the Market Risk Premium.

My first *ex-ante* estimate is based on the expected return on the S&P 500 Index, less the current 30-year Treasury bond yield. The expected return on the S&P 500 is calculated using the constant growth DCF model discussed earlier in my testimony for the companies in the S&P 500 index for which long-term earnings projections are available (the companies with such projections represent 92.32 percent of the index market capitalization).

The second *ex-ante* approach assumes a constant Sharpe Ratio, which is the ratio of the Risk Premium relative to the risk, or standard deviation of a given security or index of securities. As shown in Exhibit No.___ (RBH-2), the constant Sharpe Ratio is the ratio of historical risk premium of 6.70 percent and the historical market volatility of 20.40 percent.[41] The expected Risk Premium is then calculated as the product of the Sharpe Ratio and the expected market volatility. For the purpose of that calculation, I used the thirty day average of the three month volatility index (*i.e.*, the VXV) discussed earlier in my testimony and the same thirty day average of settlement prices of futures contracts for the VIX for June through August 2010.

With respect to Beta, I considered two methods of calculation. My first approach simply used the average reported Beta from Bloomberg and Value Line for the proxy group companies. While both of those services adjust their calculated (or "raw") Betas to reflect the tendency of Beta to regress to the market mean of 1.00, Value Line calculates Beta over a five year period, while Bloomberg's calculation is based on two years of data. As discussed below, however, current market conditions are such that the volatility of the proxy group stock prices has been increasing relative to the broad market. Consequently, Betas calculated over a more recent time period provide a more current view as to investors' perspectives with respect to "systematic" risk.

Q. PLEASE DESCRIBE HOW YOU CALCULATED THE MEAN ADJUSTED BETA FOR YOUR PROXY GROUP.

A. As noted in Equation [4], Beta is calculated as the ratio of the covariance between the individual security returns and the market returns, to the variance of the market returns. To arrive at a single estimate of Beta for the proxy group, I first calculated

[41] The standard deviation is easily calculated from the Morningstar data. *See* also Morningstar Inc., 2009 Ibbotson Stocks, Bonds, Bills and Inflation, Valuation Yearbook, Large Company Stocks: Total Returns Table B-1, at 166-167, and Stocks, Bonds, Bills, and Inflation, December 2009, Table 3, at 9.

the covariance between the weekly returns for each of the nine companies in the group and the weekly returns for the S&P 500 for the most recent six-month period. The average of those nine covariances for a given date produces the numerator of the Beta calculation for the proxy group. As noted above, the denominator in the calculation is the variance of weekly returns for the S&P 500.[42] As shown in Exhibit No.___ (RBH-3), this methodology results in a proxy group mean raw Beta of 0.611. Adjusting the raw Beta for the tendency to regress toward the market Beta of 1.0 results in an adjusted Beta of 0.741.

Q. HOW AND WHY DID YOU ADJUST THE RAW BETA?

A. I adjusted my raw Beta consistent with the methodology used by Bloomberg. That approach multiplies the raw Beta by 0.67, and adds 0.33 to that product. The purpose of such adjustments is to reflect the results of substantial academic research indicating that over time raw Beta tends to regress to the market mean of 1.00.[43]

Q. PLEASE EXPLAIN WHY YOU RELIED ON A SIX-MONTH ESTIMATE OF THE PROXY GROUP MEAN ADJUSTED BETA.

A. As noted earlier, Beta estimates reported by Value Line and Bloomberg calculate the Beta for each company over historical periods of 60 and 24 months, respectively. During the recent financial market dislocation, the relationship between the returns of

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[42] It is worthwhile noting that averaging eight individual betas for each of the proxy group companies would produce the same result as first averaging the eight covariances and then dividing by the variance of the S&P 500's weekly returns.

[44] The regression tendency of betas to converge to 1.0 over time is well known and widely discussed in financial literature. *See* Blume, Marshall E., *On the Assessment of Risk*, The Journal of Finance, Vol. 26, No. 1, March 1971, at 1-10.

the proxy group companies and the S&P 500 was considerably different than has been experienced in the current market environment. In order to develop a cost of equity estimate that does not reflect an anomalous historical period, it is reasonable to rely on a near-term calculation of Beta to reflect the current relationship between the proxy group companies and the S&P 500. Given that Bloomberg uses a two-year calculation period, I based my analysis on a six-month calculation period. Chart 1 (below) illustrates the relationship between the covariance of average weekly returns for the proxy group and the variance in the returns of the S&P 500, the two components of the Beta calculation.

Chart 1: Proxy Group Average Covariance and S&P 500 Variance

(Rolling six month calculation)

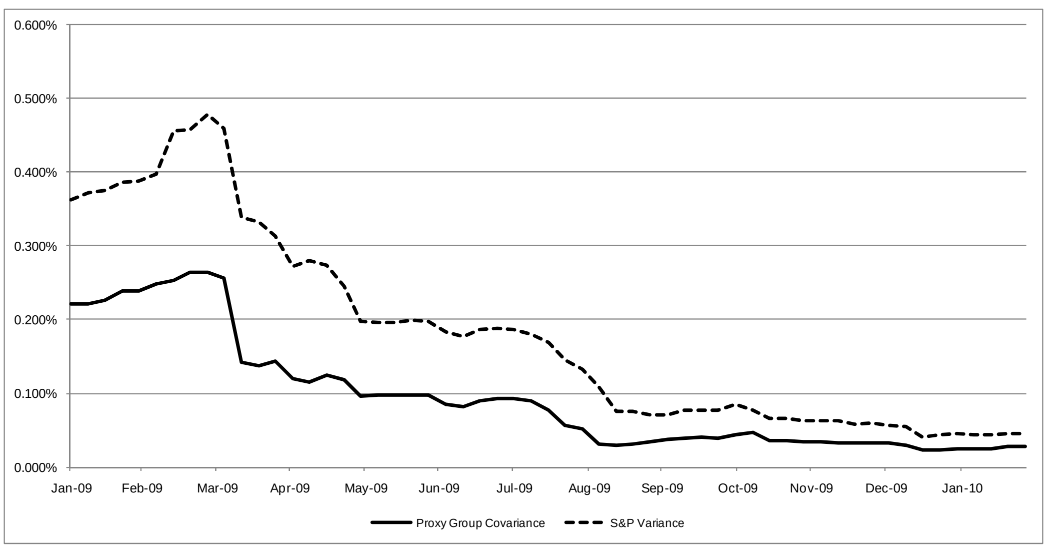


Chart 1 demonstrates that since January 2009, the difference between the average covariance for the proxy group weekly returns and the variance in the S&P 500 weekly returns, calculated on a rolling six-month basis, has narrowed significantly. Since Beta is the ratio of the covariance (the bottom line) to the variance (the top line), that increasingly small difference, as the ratio approaches 1.00, indicates that the proxy company stock prices have become increasingly volatile relative to the broad market. Consequently, over the past several months, the proxy group average Beta has been steadily increasing.

Q. IS YOUR CALCULATED BETA OF 0.741 CONSISTENT WITH LEVELS THAT WERE OBSERVED PRIOR TO THE FINANCIAL MARKET CRISIS?

A. Prior to the financial market crisis, the average Beta for my proxy group companies, as reported by Value Line was considerably higher than what I have calculated using the most recent six months of market data. For example, in September 2007, one year prior to the Lehman Brothers bankruptcy filing, the average Beta for my proxy group was 1.00. In March 2008, the Beta for this group was 0.83 and in June 2008 it was also 0.83. Based on those historical measures, it is my view that the six-month average Beta of 0.741 is conservative.

Q. HOW DID YOU APPLY YOUR MODIFIED CAPM?

A. I relied on the projected risk premium and near-term Beta to calculate the CAPM model using both near and long-term projections of the 30-year Treasury bond yield as the risk free rate. As noted in Exhibit No.___ (RBH-2), the use of a projected market risk premium and risk free rates produces a range of results that substantially overlaps the range of results produced by the other calculation methodologies.

Q. WHAT ARE THE RESULTS OF YOUR CAPM ANALYSES?

A. As shown in Table 7 (below), (see also, Exhibit No.___ (RBH-2), the results of my modified CAPM analysis, using the current Beta estimate suggest a mean ROE of 10.99 percent based on a range of returns from 10.23 percent to 11.75 percent. Relying on an average of the Value Line and Bloomberg estimates of Beta over a five-year and two-year historical period respectively, the results of my modified CAPM analysis suggest a mean return of 10.52 percent based on a range of returns of 9.79 percent and 11.25 percent.

Table 7: Market-Based CAPM Results

	Near Term Projected 30-Year Treasury (4.88%)	**Long Term Projected 30-Year Treasury (5.75%)**
Current Calculated Beta		
Sharpe Ratio Derived Market Risk Premium	10.90%	11.75%
Ex-Ante Approach Derived Market Risk Premium	10.23%	11.08%
Average Historical Beta		
Sharpe Ratio Derived Market Risk Premium	10.40%	11.25%
Ex-Ante Approach Derived Market Risk Premium	9.79%	10.64%

Q. DOES YOUR RECOMMENDATION SUBSTANTIALLY RELY ON ANY OF THE CAPM MODELS YOU PRESENTED IN EXHIBIT NO.___ (RBH-2)?

A. No, it does not. While I have calculated the CAPM using the approaches and assumptions discussed above, for several reasons I did not give any specific weight to those results. Rather, I used the CAPM results to corroborate the DCF results discussed earlier.

Bond Yield Plus Risk Premium Analysis

Q. PLEASE DESCRIBE THE BOND YIELD PLUS RISK PREMIUM APPROACH YOU EMPLOYED.

A. In general terms, this approach is based on the fundamental principal that equity investors bear the residual risk associated with ownership and therefore require a premium over the return they would have earned as a bondholder. That is, since returns to equity holders are more risky than returns to bondholders, equity investors must be compensated to bear that risk. Risk premium approaches, therefore, estimate the cost of equity as the sum of the equity risk premium and the yield on a particular class of bonds. As noted in my discussion of the CAPM, since the equity risk premium is not directly observable, it typically is estimated using a variety of approaches some of which incorporate an *ex-ante*, or forward-looking estimate of the cost of equity, and others that consider historical or *ex-post* estimates of the cost of equity for the Company. An alternative approach is to use actual authorized returns for electric utilities as the historical measure of the cost of equity to determine the Risk Premium.

Q. WHAT DID YOUR BOND YIELD PLUS RISK PREMIUM ANALYSIS REVEAL?

A. As shown on Chart 2, from 1992 through 2009, there was, in fact, a strong negative relationship between risk premia and interest rates. To estimate that relationship, I conducted a regression analysis using the following equation:

$$RP = a + b(M) \qquad [5]$$

where:

RP = Risk Premium (difference between allowed ROEs and the yield on 30-year Treasuries)

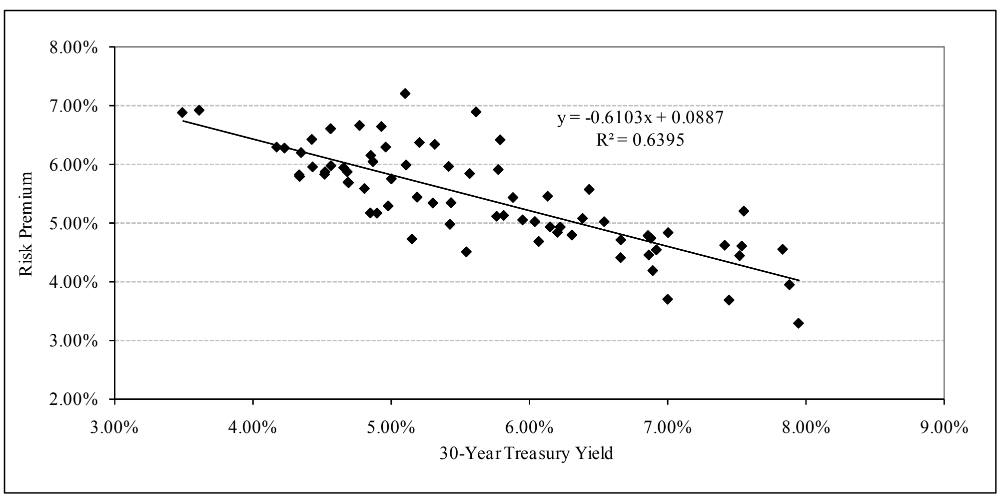
a = Intercept term

b = Slope term

M = 30-year Treasury yield

Data regarding allowed ROEs was derived from 428 rate cases from 1992 through March 4, 2010 as reported by Regulatory Research Associates. This equation's coefficients were statistically significant at the 99.00 percent level.[44]

Chart 2: Risk Premium vs. Interest Rates



As shown on Exhibit No.___ (RBH-4), from 1992 through February 5, 2010 the average risk premium was approximately 5.42 percent, while the projected 30-year

[44] In order to ensure that the regression coefficients were not biased as a result of serially correlated error terms, the equation presented in Exhibit No.___(RBH-4) was estimated using the Prais-Winsten corrective routine. That equation continues to produce a negative slope coefficient and an ROE estimate of approximately 10.67 percent.

Treasury yield for 2009-2011 is approximately 4.90 percent. Based on the regression coefficients, however, the risk premium would be 5.88 percent, resulting in an ROE of 10.78 percent. As shown in Exhibit No.___ (RBH-4), projected yields of the 30-year Treasury yield, the ROE would range from 10.78 percent to 11.11 percent. It is important to note, however, that this estimate does not include the effect of the Company's specific risk factors, as discussed in the following section of my Direct Testimony.

VII. BUSINESS RISKS

Q. WITHOUT MODIFICATIONS, DO THE AVERAGE DCF AND CAPM RESULTS FOR THE PROXY GROUP PROVIDE AN APPROPRIATE ESTIMATE OF THE COST OF EQUITY FOR SCE&G?

A. No, the mean results do not necessarily provide an appropriate estimate of the Company's Cost of Equity. In my view, there are several additional factors that must be taken into consideration when determining where the Company's Cost of Equity falls within the range of results. These factors include the Company's planned capital investment program, the Company's investment in new nuclear generation facilities, the Company's comparatively small size, and the costs associated with the flotation of common stock. These risk factors, which are discussed below, should be considered in terms of their overall effect on the Company's business risk.

Capital Expenditures

Q. PLEASE SUMMARIZE THE COMPANY'S CAPITAL EXPENDITURE PLANS.

A. As shown in Table 8 (below), the Company is planning approximately $3.29 billion in capital expenditures from 2010 through 2012. In 2010 alone, SCE&G plans to invest over $940 million in regulated capital projects, of which approximately $866 million is dedicated to the Company's electric operations.

Table 8: SCE&G Capital Expenditure Estimate[45]

Estimated Capital Expenditures			
(Millions of dollars)	**2010**	**2011**	**2012**
Electric Plant:			
Generation (including GENCO)	$ 567	$ 666	$ 948
Transmission	49	48	59
Distribution	142	154	184
Other	31	21	32
Nuclear Fuel	77	6	85
Gas	49	55	59
Common and Other	25	18	10
Total	$ 940	$ 968	$ 1,377

Included in the Company's estimated generation capital expenditures are expenditures for GENCO, the regulated subsidiary that owns the Williams coal-fired power plant and sells electricity exclusively to SCE&G.[46]

As noted in the Company's Application in this case, the Company has invested $634.30 million in environmental capital expenditures, including two flue gas

45 SCANA Corp, Annual Report (SEC Form 10-K), 31 Dec 2009, at 37.
46 *Ibid*., at 81.

desulphurization units and selective catalytic reduction at several of the Company's generating facilities since the its last general rate case. Additionally, the Company has constructed a new back-up dam at one of its hydro generating facilities, encompassing approximately $328.60 million in additional capital spending.[47] As discussed in more detail below, of the generation portion of expected capital expenditures, a large portion is to be dedicated to the construction of two new nuclear generating facilities. The expected cash outlays for SCE&G associated with those units are provided in Table 9.

Table 9: SCE&G Nuclear Construction Capital Expenditure Estimate[48]

Estimated Cash Outlays For Nuclear Construction (in $millions)							
	2009	2010	2011	2012	2013	After 2013	Total
Plant Costs	$ 463	$ 468	$ 586	$ 852	$ 897	$2,700	$5,966

Q. DO CREDIT RATING AGENCIES RECOGNIZE RISKS ASSOCIATED WITH INCREASED CAPITAL EXPENDITURES?

A. Yes, they do. From a credit perspective, the additional pressure on cash flows associated with high levels of capital expenditures exerts corresponding pressure on credit metrics and, therefore, credit ratings. Standard and Poor's recently noted several long term challenges for utilities' financial health including: heavy construction programs to address demand growth; declining capacity margins; and aging infrastructure and regulatory responsiveness to mounting requests for rate increases. S&P further noted that:

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47 South Carolina Electric & Gas Company, Application for Increases and Adjustments in Electric Rate Schedules and Tariffs, Docket No. 2009-489-E, January 15, 2010, at 2-4.

48 SCANA Corp, Annual Report (SEC Form 10-K), 31 Dec 2009, at 38.

> To sustain their current credit quality in the face of these long-lived challenges, utilities need to have established—and be able to maintain—a firm credit foundation. This will require a strong and effective working relationship among management, regulators, and increasingly legislators and governors, in the planning and execution of strategies. A comprehensive vetting and understanding of the risks associated with the regulatory mechanisms under which the utility will recover its investment, which could include a cash return during construction and timely recognition of volatile costs, will be paramount in preserving creditworthiness.[49]

Q. ARE EQUITY INVESTORS ALSO CONCERNED WITH COMPARATIVELY HIGH LEVELS OF CAPITAL EXPENDITURES?

A. Yes, equity investors also recognize the pressure on cash flows associated with relatively high levels of capital expenditures. Barclays Capital, for example, regularly conducts a survey of utility industry capital spending. In its most recent survey, Barclays noted that:

> Based on our 2009 capex survey, we now anticipate that the industry will proceed with a pre-dividend free cash flow deficit through at least 2013, but likely significantly longer. We estimate over the next five years, the industry will spend on average 2.0x its annual depreciation and amortization expense growing industry rate base at an average annual pace of 6.3%.
>
> ***
>
> We expect that the risks of this build cycle will offset much of the growth opportunity in share performance through the construction period. This is consistent with the investor experience in the last major infrastructure cycle which extended from 1973–1984. The headwinds we forecast will likely come from the dilutive effect of heightened external capital funding requirements, regulatory risk in a rising rate environment and execution risk associated with a significant construction program. The best performing stocks over the cycle will likely be those spending on infrastructure with the highest public

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[49] Standard & Poor's RatingsDirect, *Industry Report Card: Utility Sectors In the Americas Remain Stable, While Challenges Beset European, Australian, and New Zealand Counterparts*, June 27, 2008, at 4.

policy support, with the highest quality balance sheets, doing business in the best regulatory jurisdictions.[50]

Q. WHAT MULTIPLE OF DEPRECIATION DOES SCE&G'S FORECASTED CAPITAL EXPENDITURES CURRENTLY REPRESENT?

A. As discussed above, Barclays estimates an average industry multiple of 2.0 over the next five years. Based on the Company's approved composite depreciation rate of 2.95%[51], the Company's projections show much higher multiples. As noted in Table 10 (below), over the next three years the Company anticipates that capital spending will exceed its estimated annual depreciation expense by approximately 2.95 times.

Table 10: Annual Capital Expenditures as a Multiple of Annual Depreciation Expense

	2009	**2010**	**2011**	**2012**	**2009-12**
Regulated Cap Expenditures	751	940	968	1,377	4,036
Regulated Depreciation	316	332	350	369	1,367
Capital Expenditures/Depreciation	**2.38**	**2.83**	**2.76**	**3.74**	**2.95**

Q. DO THE PROXY GROUP COMPANIES DISPLAY A SIMILAR RISK PROFILE?

A. No, in aggregate they do not. Of the nine companies in my final proxy group, only three companies, Duke Energy Corp., Progress Energy Corp., and Southern Company are sponsoring the development and construction of new nuclear generating facilities. As shown in Exhibit No.___ (RBH-5), under the cost recovery mechanisms in place in the states where each of those proxy companies is sponsoring a new nuclear

[50] Barclays Capital Equity Research Americas, *Utilities: Capital Management*, July 16, 2009, at 5.
[51] SCANA Corp, Annual Report (SEC Form 10-K), 31 Dec 2009, at 105.

generating facility, those companies retain generally similar risk than the Company in developing the two new units at the V.C. Summer facility.

The Company, with the Commission's full support, has embarked on a capital spending program to meet its future energy needs. While this was determined to be the surest and best means to securing electricity for its customers, the investment community still views capital spending, without explicit guarantees, as a risk. This perceived risk should be factored into the Commission's authorized ROE in order to provide investors with a fair return on their invested capital. Based on this review and fact that the majority of companies in my proxy group are not exposed to the risks inherent in sponsoring a new nuclear generating facility, the Company's required return on equity necessarily falls at the higher end of my range of results.

Small Size

Q. PLEASE EXPLAIN THE RISK ASSOCIATED WITH SMALL SIZE.

A. Both the financial and academic communities have long accepted the proposition that the cost of equity for small firms is subject to a "size effect."[52] While empirical evidence of the size effect often is based on studies of industries beyond regulated utilities, utility analysts also have noted the risks associated with small market capitalizations. Specifically, Ibbotson Associates noted:

> For small utilities, investors face additional obstacles, such as smaller customer base, limited financial resources, and a lack of diversification

[52] *See* Mario Levis, *The record on small companies: A review of the evidence*, Journal of Asset Management 2, March 2002, at 368-397, for a review of literature relating to the size effect.

> across customers, energy sources, and geography. These obstacles imply a higher investor return.[53]

Small size, therefore, leads to two categories of increased risk for investors: (1) liquidity risk (*i.e.*, the risk of not being able to sell one's shares in a timely manner due to the relatively thin market for the securities) and (2) fundamental business risks.

Q. HOW DOES SCE&G COMPARE IN SIZE TO THE PROXY COMPANIES?

A. SCE&G is substantially smaller than the average for the proxy group companies both in terms of numbers of customers and market capitalization. Exhibit No.___ (RBH-6) estimates the implied market capitalization for SCE&G (*i.e.*, the implied market capitalization if the Company were a stand-alone, publicly traded entity). That is, since SCE&G is a subsidiary of SCANA Corporation, an estimated stand-alone market capitalization for SCE&G must be calculated. To do so, I applied the median market to book ratio for the nine member proxy group to the equity portion of SCE&G's proposed rate base of $2,553.00 million. The implied market capitalization based on that calculation is $3,172.00 million, which is lower than the median for the proxy group and less than a third the size of the mean market capitalization for the proxy group.

53 Annin, *Equity and the Small-Stock Effect*, Public Utilities Fortnightly, October 15, 1995.

Q. HOW DOES THE SMALLER SIZE OF SCE&G AFFECT ITS BUSINESS RISKS RELATIVE TO THE PROXY GROUP OF COMPANIES?

A. In general, smaller companies are less able to withstand adverse events that affect their revenues and expenses. The impact of weather variability, the loss of large customers to bypass opportunities, or the destruction of demand as a result of general macroeconomic conditions or fuel price volatility will have a proportionately greater impact on the earnings and cash flow volatility of smaller utilities. Similarly, capital expenditures for non-revenue producing investments such as system maintenance and replacements will put proportionately greater pressure on customer costs, potentially leading to customer attrition or demand reduction. Taken together, these risks affect the return required by investors for smaller companies.

Q. HAVE YOU CONSIDERED THE SMALLER SIZE OF SCE&G IN YOUR RECOMMENDED RETURN ON EQUITY FOR THIS COMPANY?

A. Yes. While I have quantified the small size effect, rather than proposing a specific premium, I have considered the Company's relatively small size in my assessment of business risks in order to determine where within the range of returns SCE&G's cost of equity appropriately falls.

Q. HOW DID YOU ESTIMATE THE SIZE PREMIUM FOR THE COMPANY?

A. In its *Risk Premia over Time Report: 2010*, Morningstar presents its calculation of the size premium for deciles of market capitalizations relative to the S&P 500 Index. An additional estimate of the size premium associated with SCE&G, therefore, is the difference in the Ibbotson size risk premia for the proxy group median market capitalization relative to the implied market capitalization for SCE&G.

As shown on Exhibit No.___ (RBH-6), according to recent market data, the median market capitalization of the proxy group was approximately $4.69 billion, which corresponds to the 3rd decile of Morningstar market capitalization data. Based on the Morningstar analysis, that decile corresponds to a size premium of 0.85 percent (or 85 basis points). The implied market capitalization for SCE&G is approximately $3.172 billion, which falls within the 4th decile and corresponds to a size premium of 1.15 percent (or 115 basis points). The difference between those size premia is 30 basis points (1.15 percent – 0.85 percent).

Flotation Cost Adjustment

Q. WHAT ARE FLOTATION COSTS?

A. Flotation costs are the costs associated with the sale of new issues of common stock. These costs include out-of-pocket expenditures for preparation, filing, underwriting, and other costs of issuance of common stock.

Q. WHY IS IT IMPORTANT TO RECOGNIZE FLOTATION COSTS IN THE ALLOWED RETURN ON EQUITY?

A. In order to attract and retain new investors, a regulated utility must have the opportunity to earn a return that is both competitive and compensatory. To the extent that a company is denied the opportunity to recover prudently incurred flotation costs, actual returns will fall short of expected (or required) returns, thereby diminishing its ability to attract adequate capital on reasonable terms.

Q. ARE FLOTATION COSTS LIMITED TO EQUITY ISSUANCES PLANNED FOR THE TEST YEAR?

A. No. Flotation costs are not expenses that flow through the income statement. Rather, these costs are deducted from the permanent capital of the issuer and are thus reflected in the balance sheet. They are comparable to capital investments as further discussed later in my testimony. Recovery of investments is not limited to the year in which the investment is made, and neither should the recovery of flotation costs. Common equity has an indefinite life, and due to the indeterminate life of an equity issuance, flotation costs should be recovered through a return adjustment, regardless of whether an issuance occurs during, or is planned for, the test year.

Q. ARE FLOTATION COSTS PART OF THE UTILITY'S INVESTED COSTS OR PART OF THE UTILITY'S EXPENSES?

A. Flotation costs are part of the invested costs of the utility, which are properly reflected on the balance sheet of the utility under "paid in capital." They are not current expenses, and therefore are not reflected on the income statement. Rather, like investments in rate base or the issuance costs of long-term debt, flotation costs are incurred over time. As a result, the great majority of a utility's flotation cost is incurred prior to the test year, but remain part of the cost structure that exists during the test year and beyond, and as such, should be recognized for ratemaking purposes.

Therefore, this adjustment is appropriate even if no new issuances are planned in the near future because failure to allow such an adjustment may deny the Company the opportunity to earn its required rate of return in the future.

Q. IS THE NEED TO CONSIDER FLOTATION COSTS ELIMINATED BECAUSE THE COMPANY IS A SUBSIDIARY OF SCANA?

A. No. Although the Company is a subsidiary of SCANA, it is appropriate to consider flotation costs because the source of capital used by the Company was the result of a public issuance by its parent organization, which led to the issuance costs. To deny recovery of issuance costs associated with the capital that is invested in the utility ultimately will penalize the investors that fund the utility operations and will inhibit the utility's ability to obtain new equity capital at a reasonable cost. This is particularly important in the case of the Company since it is planning significant capital expenditures in the near term, and continued access to capital to fund such required expenditures will be critical.

Q. DO THE DCF AND CAPM MODELS ALREADY INCORPORATE INVESTOR EXPECTATIONS OF A RETURN THAT COMPENSATES FOR FLOTATION COSTS?

A. No. All the models used to estimate the appropriate ROE assume no "friction" or transaction costs, as these costs are not reflected in the market price (in the case of the DCF model) or risk premium (in the case of the CAPM). Therefore, it is appropriate to consider flotation costs in determining where within the range of reasonable returns South Carolina Electric & Gas Company's return should fall.

Q. IS THE NEED FOR A FLOTATION COST ADJUSTMENT RECOGNIZED BY THE ACADEMIC AND FINANCIAL COMMUNITIES?

A. Yes. The need to reimburse investors for equity issuance costs is justified by the academic and financial communities in the same spirit that investors are reimbursed for the costs of issuing debt. This treatment is consistent with the philosophy of a fair rate of return. According to Dr. Shannon Pratt:

> Flotation costs occur when new issues of stock or debt are sold to the public. The firm usually incurs several kinds of flotation or transaction costs, which reduce the actual proceeds received by the firm. Some of these are direct out-of-pocket outlays, such as fees paid to underwriters, legal expenses, and prospectus preparation costs. Because of this reduction in proceeds, the firm's required returns on these proceeds equate to a higher return to compensate for the additional costs. Flotation costs can be accounted for either by amortizing the cost, thus reducing the cash flow to discount, or by incorporating the cost into the cost of capital. Because flotation costs are not typically applied to operating cash flow, one must incorporate them into the cost of capital.[54]

Q. IS THERE SUPPORT FOR THIS APPROACH?

A. Yes. In a 2002 rate proceeding, the Commission authorized the Company to recover flotation costs.[55] Furthermore, several economists have recognized that the flotation cost adjustment is made not to reflect current or future financing costs, but rather to compensate investors for costs incurred for all past issuances comprising the total

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[54] Shannon P. Pratt, Cost of Capital Estimation and Applications, Second Edition, at 220-221.

[55] Public Service Commission of South Carolina, Docket No. 2002-223-E-Order No. 2003-38, January 31, 2003.

equity portion of the Company's capitalization. An article in *The Journal of Finance*, for example, noted that:

> Under the conventional approach in other words, the flotation cost adjustment is not made to reflect current or future financing costs … it is made to compensate investors for costs incurred in preceding stock issues.[56]

Q. HAS THE COMMISSION RECOGNIZED THE NEED TO RECOVER FLOTATION COSTS IN PRIOR ORDERS?

A. Yes. As noted above, in Docket No. 2002-223-E-Order No. 2003-38, the Commission granted the Company the recovery of flotation costs. In that Order, the Commission noted that:

> [F]lotation costs are not an expense to be recovered during a particular period. Instead, they represent a difference in the amount of funds that investors have invested in the Company compared to the amount the Company actually receives.
>
> ***
>
> Accordingly, the Commission finds that the reliable, probative and substantial evidence on the record establishes that flotation adjustments are indeed appropriate in this case to reflect SCE&G's recent issuance of new equity and the fact that these costs are not otherwise recovered in setting rates.[57]

Q. HAS SOUTH CAROLINA ELECTRIC & GAS COMPANY RECENTLY ISSUED COMMON EQUITY?

A. Yes. SCANA issued 2.875 million shares of common stock in January, 2009 at $35.50 per share. Proceeds totaling $100.5 million were to be used for capital expenditures primarily related to South Carolina Electric & Gas Company's new

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[56] Cleveland S. Patterson, *Flotation Cost Allowance in Rate of Return Regulation: Comment*, The Journal of Finance, Vol. XXXVIII, No. 4, September 1983, at 1337 (clarification and emphasis added).

[57] Public Service Commission of South Carolina, Docket No. 2002-223-E-Order No. 2003-38, January 31, 2003, at 72-73.

nuclear construction.[58] In addition, SCANA plans on issuing significant additional amounts of new common equity in 2010 and 2011 to fund the construction of its proposed nuclear generating units. The total amount in new common equity issuances, to fund the Company's share of the two new nuclear generating units, would be approximately $300 million.[59]

Q. HOW DID YOU CALCULATE THE FLOTATION COST RECOVERY ADJUSTMENT?

A. I modified the DCF calculation to provide a dividend yield that would reimburse investors for issuance costs. My flotation cost adjustment recognizes the costs of issuing equity that were incurred by the proxy group companies in their most recent two common equity issuances. Based on the issuance costs provided in Exhibit No.___ (RBH-7), an adjustment of 0.16 percent (*i.e.*, 16 basis points) reasonably represents flotation costs for the Company.

Q. IS YOUR CALCULATION OF FLOTATION COSTS CONSISTENT WITH THE COMMISSION'S PRIOR DETERMINATIONS?

A. The Commission previously agreed that flotation costs are an ongoing expense and approved a 20 basis point adjustment.[60] My recommendation for a 16 basis point adjustment is consistent with this determination.

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58 SCANA SEC Form 8-K, August 2009, at 5.

59 *See*, SCANA Corporation, Shareholder Presentation, SCANA Financial Update, April, 2009, at 17.

60 Public Service Commission of South Carolina, Docket No. 2002-223-E Order No. 2003-38, January 31, 2003, at 73-74.

Q. PLEASE SUMMARIZE THE RESULTS OF YOUR ANALYSIS INCLUDING FLOTATION COSTS.

A. I modified the DCF calculation using the 3.11 percent flotation cost as shown in Exhibit No.___ (RBH-7) to provide a dividend yield that would reimburse investors for issuance costs. Based on that calculation, an adjustment of 0.16 percent (*i.e.*, 16 basis points) is reflective of flotation costs for the Company. As shown in Table 11, the adjusted mean DCF results for my proxy group are 10.75 percent, 10.76 percent, and 10.92 percent for the 30, 90, and 180-trading day periods, respectively. The mean high DCF result for the 30, 90, and 180-day averaging periods are 11.72 percent, 11.73 percent, and 11.89 percent, respectively.

Table 11: DCF Results Adjusted for Flotation Costs

	Mean Low	Mean	Mean High
30-Day Average	9.98%	10.75%	11.72%
90-Day Average	9.99%	10.76%	11.73%
180-Day Average	10.15%	10.92%	11.89%

VIII. CAPITAL STRUCTURE

Q. WHAT IS THE COMPANY'S PROPOSED CAPITAL STRUCTURE?

A. The Company is proposing a capital structure consisting of 52.96 percent common equity and 47.04 percent long-term debt.

Q. PLEASE DESCRIBE THE GENERALLY ACCEPTED APPROACH TO DEVELOPING THE APPROPRIATE CAPITAL STRUCTURE FOR A REGULATED ELECTRIC UTILITY.

A. There are several approaches to developing the appropriate capital structure. The reasonableness of the approach depends on the nature and circumstances of the subject company. If, for example, the subject company does not issue its own securities, it may be reasonable to look to the parent's capital structure or to develop a "hypothetical" capital structure based on the proxy group companies or other industry data. Regardless of the approach taken, however, it is important to consider the resulting capital structure in light of industry norms and investor requirements. That is, the capital structure should enable the subject company to maintain its financial integrity, thereby enabling access to capital at competitive rates.

Q. PLEASE DISCUSS THE IMPORTANCE OF MAINTAINING A STRONG BALANCE SHEET AND CAPITAL STRUCTURE IN THE CURRENT MARKET ENVIRONMENT.

A. As discussed in Section IV, the current financial market is characterized by a continuing contraction of credit availability, and a persistently high level of credit spreads. Under such conditions, financing options are more limited and the need to maintain a strong balance sheet as a means of preserving access to capital is more acute than it would be in a more normal market environment. As discussed by Company Witness Jimmy Addison, it is important for the Company to maintain a capital structure to support a strong investment grade credit rating.

Q. HOW DOES THE CAPITAL STRUCTURE AFFECT THE COST OF EQUITY?

A. In general, companies face two forms of risk, business risks and financial risks. In Section VII, I have assessed the Company's business risks on a qualitative basis. Financial risks represent the risks that a company may not have adequate cash flows to meet its financial obligations, and are a function of the percentage of debt (or financial leverage) in its capital structure. In that regard, as the percentage of debt in the capital structure increases, so do the fixed obligations for the repayment of that debt. Consequently, as the degree of financial leverage increases, the risk of financial distress (*i.e.*, financial risk) also increases.[61] Since the capital structure can affect the subject company's overall level of risk, it is an important consideration in establishing a just and reasonable rate of return.

Q. IS THERE SUPPORT FOR THE PROPOSITION THAT THE CAPITAL STRUCTURE IS A KEY CONSIDERATION IN ESTABLISHING AN APPROPRIATE RETURN ON EQUITY?

A. Yes. The United States Supreme Court and various utility commissions have long recognized the role of capital structure in the development of a just and reasonable rate of return for a regulated utility. In particular, a utility's leverage, or debt ratio, has been explicitly recognized as an important element in determining a just and reasonable rate of return:

[61] *See* Roger A. Morin, New Regulatory Finance, Public Utility Reports, Inc., 2006, at 45-46.

> Although the determination of whether bonds or stocks should be issued is for management, the matter of debt ratio is not exclusively within its province. Debt ratio substantially affects the manner and cost of obtaining new capital. It is therefore an important factor in the rate of return and must necessarily be considered by and come within the authority of the body charged by law with the duty of fixing a just and reasonable rate of return.[62]

Perhaps ultimate authority for balancing the issues of cost and financial integrity is found in the Supreme Court's statement in *Hope Natural Gas*:

> The rate-making process under the Act, i.e., the fixing of "just and reasonable rates, involves a balancing of the investor and the consumer interests." 320 U.S. at 603, 64 S. Ct. at 288. The equity investor's stake is made less secure as the Company's debt rises, but the consumer rate-payer's burden is alleviated.[63]

Consequently, the principles of fairness and reasonableness with respect to the allowed rate of return and capital structure are considered at both the Federal and State levels.

Q. PLEASE SUMMARIZE YOUR ANALYSIS OF THE CAPITAL STRUCTURES OF THE PROXY GROUP COMPANIES.

A. My analysis of the actual proxy group capital structures is provided in Exhibit No.___ (RBH-8). As shown in that Exhibit, I calculated the mean of the proportions of long-term debt and common equity over the most recently reported eight quarters[64] for each of the operating utilities owned by the proxy group companies. The mean of the

[62] *New England Telephone & Telegraph Co. v. State, 98 N.H. 211, 220, 97 A.2d 213, 220 (1953), citing New England Tel. & Tel. Co. v. Department of Pub. Util., (Mass.) 327 Mass. 81, 97 N.E. 2d 509, 514; Petitions of New England Tel. & Tel. Co. 116 Vt. 480, 80 A2d 671.*

[63] *Communications Satellite Corp. v. FCC, 198 U.S. App. D.C. 60, 63-64611 F.2d 883.*

[64] In this analysis, I calculated the average capital structure using the quarterly capital structures reported for the proxy group companies for the period from December 2007 through October 2009.

proxy group actual capital structures is 47.72 percent long-term debt and 52.28 percent equity.[65] The proxy group companies' equity ratios range from a low of 48.34 percent to 62.43 percent. Based on that review, it is apparent that the Company's proposed capital structure is generally consistent with the capital structures of the proxy group companies.

Q. WHAT IS THE BASIS FOR USING AVERAGE CAPITAL COMPONENTS RATHER THAN A POINT-IN-TIME MEASUREMENT?

A. Measuring the capital components at a particular point in time can skew the capital structure by the specific circumstances of a particular period. Therefore, it is more appropriate to normalize the relative relationship between the components over a period of time.

Q. WHAT IS YOUR CONCLUSION REGARDING AN APPROPRIATE CAPITAL STRUCTURE FOR SOUTH CAROLINA ELECTRIC & GAS COMPANY?

A. Considering the actual capital structures of the proxy group and the Company's extensive capital investment program, I believe that the Company's proposed equity ratio of 52.96 percent is appropriate for South Carolina Electric & Gas Company.

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[65] Excludes preferred equity and short-term debt.

Q. ARE THERE CONSUMER BENEFITS ASSOCIATED WITH A HIGHER EQUITY RATIO?

A. Yes. Companies with stronger balance sheets (*i.e.*, less financial leverage) tend to have higher credit ratings and more financial flexibility. Higher credit ratings generally translate into a lower cost of debt when the Company enters the credit markets to refinance existing issues or finance new utility plant. Therefore, consumers benefit from lower base rates because interest expense is lower. Further, financial flexibility allows the utility to continue to provide safe and reliable electric service, even during periods of disruption and dislocation in the financial markets.

Q. WILL THE CAPITAL STRUCTURE AND ROE AUTHORIZED IN THIS PROCEEDING AFFECT THE ABILITY OF THE COMPANY TO COMPLETE ITS CAPITAL EXPENDITURE PLAN?

A. Yes, I believe so. As noted earlier, the level of earnings authorized by the Commission directly affects the Company's ability to fund capital investment with internally generated funds; both bond investors and rating agencies expect a significant portion of on-going capital investments to be financed with internally generated funds. The need to generate funds internally also is important in light of the constrained, volatile, and expensive capital market conditions.

It also is important to realize that investors weigh a given utility's authorized ROE in the context of the nature of its expected capital investments. Because a utility's investment horizon is very long, investors require the assurance of a sufficiently high return to satisfy the long-run financing requirements of the assets it puts into service. Those assurances, which often are measured by the relationship between internally generated cash flows and debt (or interest expense), depend quite heavily on the capital structure. As a consequence, both the ROE and capital structure are very important to both debt and equity investors. Given the capital market conditions and the Company's significant financing requirements, the authorized ROE and capital structure are extremely important considerations in this proceeding.

IX. CONCLUSIONS AND RECOMMENDATION

Q. WHAT IS YOUR CONCLUSION REGARDING THE ROE AND CAPITAL STRUCTURE FOR SOUTH CAROLINA ELECTRIC & GAS COMPANY?

A. I believe that a rate of return on common equity in the range of 10.70 percent to 11.90 percent represents the range of equity investors' required rate of return for investment in integrated electric utilities in today's capital markets. Within that range, I recommend an ROE of 11.60 percent. My recommended ROE, which is above the midpoint of the range of results, considers the Company's risk profile relative to the proxy group analytical results with respect to (1) the Company's comparatively high level of capital expenditures, much of which relates to its significant portfolio of coal-fired generating assets; (2) the Company's proposed new nuclear generating facility; (3) SCE&G's comparatively small size; and (4) flotation costs associated with the equity issuances needed to continue to invest in new and existing generation assets. Based on those factors, it is appropriate to establish an ROE that is above the proxy group mean results. As such, a rate of return on common equity of 11.60 percent reasonably represents the return required to invest in a company with a risk profile comparable to SCE&G. Table 12 (below) summarizes my analytical results.

Table 12: Summary of Analytical Results

	Mean Low Results	**Mean Results**	**Mean High Results**
DCF Results			
30-day Average Stock Price	9.82%	10.59%	11.56%
90-day Average Stock Price	9.83%	10.60%	11.57%
180-day Average Stock Price	9.99%	10.77%	11.73%
DCF Results (Including Small Size Adjustment and Flotation Costs)			
30-day Average Stock Price	10.28%	11.05%	12.02%
90-day Average Stock Price	10.29%	11.06%	12.03%
180-day Average Stock Price	10.45%	11.22%	12.19%
Market-Based CAPM Results			
	Current Beta		
	Ex-Ante Approach		*Sharpe Ratio Approach*
Near Term Forecast 30 Year Treasury Yield	10.90%		11.75%
Long Term Forecast 30 Year Treasury Yield	10.23%		11.08%
	Historical Beta		
	Ex-Ante Approach		*Sharpe Ratio Approach*
Near Term Forecast 30 Year Treasury Yield	9.79%		10.40%
Long Term Forecast 30 Year Treasury Yield	10.64%		11.25%
Bond Yield Plus Risk Premium Analysis			
	Near Term		*Long Term*
Projected 30 Year Treasury Yield Risk Premium	10.78%		11.11%
Small Size Adjustment			
Small Size Adjustment		0.30%	
Flotation Cost Adjustment			
Flotation Cost Adjustment		0.16%	

Finally, I conclude that the Company's proposed capital structure, which consists of 52.96 percent common equity and 47.04 percent long-term debt is reasonable.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

Robert B. Hevert, CFA
President

Mr. Hevert is an economic and financial consultant with broad experience in the energy industry. He has an extensive background in the areas of corporate strategic planning, energy market assessment, corporate finance, mergers, and acquisitions, asset-based transactions, asset and business unit valuation, market entry strategies, strategic alliances, project development, feasibility and due diligence analyses. Mr. Hevert has significant management experience with both operating and professional services companies.

REPRESENTATIVE PROJECT EXPERIENCE

Financial and Economic Advisory Services

Retained by numerous leading energy companies and financial institutions throughout North America to provide services relating to the strategic evaluation, acquisition, sale or development of a variety of regulated and non-regulated enterprises. Specific services have included: developing strategic and financial analyses and managing multi-faceted due diligence reviews of proposed corporate M&A counter-parties; developing, screening and recommending potential M&A transactions and facilitating discussions between senior utility executives regarding transaction strategy and structure; performing valuation analyses and financial due diligence reviews of electric generation projects, retail marketing companies, and wholesale trading entities in support of significant M&A transactions.

Specific divestiture-related services have included advising both buy and sell-side clients in transactions for physical and contractual electric generation resources. Sell-side services have included: development and implementation of key aspects of asset divestiture programs such as marketing, offering memorandum development, development of transaction terms and conditions, bid process management, bid evaluation, negations, and regulatory approval process. Buy-side services have included comprehensive asset screening, selection, valuation and due diligence reviews. Both buy and sell-side services have included the use of sophisticated asset valuation techniques, and the development and delivery of fairness opinions.

Specific corporate finance experience while a Vice President with Bay State Gas included: negotiation, placement and closing of both private and public long-term debt, preferred and common equity; structured and project financing; corporate cash management; financial analysis, planning and forecasting; and various aspects of investor relations.

Representative non-confidential clients have included:
- Conectiv generation asset divestiture
- Eastern Utilities Associates (prior to acquisition by National Grid, PLC) generation asset divestiture
- Niagara Mohawk – sale of Niagara Mohawk Energy
- Potomac Electric Company generation asset divestiture

Representative confidential engagements have included:
- Buy-side valuation and assessment of merchant generation assets in Midwestern U.S.
- Buy-side due diligence and valuation of wholesale energy marketing companies in Eastern and Midwestern U.S.
- Buy-side due diligence of natural gas distribution assets in Northeastern U.S.
- Financial feasibility study of natural gas pipeline in upper Midwestern U.S.

- Financial valuation of natural gas pipeline in Southwestern U.S.

Regulatory Analysis and Ratemaking

On behalf of electric, natural gas and combination utilities throughout North America, provided services relating to energy industry restructuring including merchant function exit, residual energy supply obligations, and stranded cost assessment and recovery. Also performed rate of return and cost of service analyses for municipally owned gas and electric utilities. Specific services provided include: performing strategic review and development of merchant function exit strategies including analysis of provider of last resort obligations in both electric and gas markets; and developing value optimizing strategies for physical generation assets.

Representative engagements have included:

- Performing rate of return analyses for use in cost of service analyses on behalf of municipally owned gas and electric utilities in the Southeastern and Midwestern U.S.
- Developing merchant function exit strategies for Northeastern U.S. natural gas distribution companies
- Developing regulatory and ratemaking strategy for mergers including several Northeastern natural gas distribution companies

Litigation Support and Expert Testimony

Provided expert testimony and support of litigation in various regulatory proceedings on a variety of energy and economic issues including the proposed transfer of power purchase agreements, procurement of residual service electric supply, the legal separation of generation assets, and specific financing transactions. Services provided also included collaborating with counsel, business and technical staff to develop litigation strategies, preparing and reviewing discovery and briefing materials, preparing presentation materials and participating in technical sessions with regulators and intervenors.

Energy Market Assessment

Retained by numerous leading energy companies and financial institutions nationwide to manage or provide assessments of regional energy markets throughout the U.S. and Canada. Such assessments have included development of electric and natural gas price forecasts, analysis of generation project entry and exit scenarios, assessment of natural gas and electric transmission infrastructure, market structure and regulatory situation analysis, and assessment of competitive position. Market assessment engagements typically have been used as integral elements of business unit or asset-specific strategic plans or valuation analyses.

Representative engagements have included:

- Managing assessments of the NYPOOL, NEPOOL and PJM markets for major North American energy companies considering entering or expanding their presence in those markets
- Assessment of ECAR, MAPP, MAIN and SPP markets for a large U.S. integrated utility considering acquisition of additional electric generation assets
- Assessment of natural gas pipeline and storage capacity in the SERC and FRCC markets for a major international energy company

Resource Procurement, Contracting and Analysis

Assisted various clients in evaluating alternatives for acquiring fuel and power supplies, including the development and negotiation of energy contracts and tolling agreements. Assignments also have included developing generation resource optimization strategies. Provided advice and analyses of transition service power supply contracts in the context of both physical and contractual generation resource divestiture transactions.

Business Strategy and Operations

Retained by numerous leading North American energy companies and financial institutions nationwide to provide services relating to the development of strategic plans and planning processes for both regulated and non-regulated enterprises. Specific services provided include: developing and implementing electric generation strategies and business process redesign initiatives; developing market entry strategies for retail and wholesale businesses including assessment of asset-based marketing and trading strategies; and facilitating executive level strategic planning retreats. As Vice President, Energy Ventures, of Bay State was responsible for the company's strategic planning and business development processes, played an integral role in developing the company's non-regulated marketing affiliate, EnergyUSA, and managed the company's non-regulated investments, partnerships and strategic alliances.

Representative engagements have included:

- Developing and facilitating executive level strategic planning retreats for Northeastern natural gas distribution companies
- Developing organization and business process redesign plans for municipally owned gas/electric/water utility in the Southeastern U.S.
- Reviewing and revising corporate merchant generation business plans for Canadian and U.S. integrated utilities
- Advising client personnel in development of business unit level strategic plans for various natural gas distribution companies

PROFESSIONAL HISTORY

Concentric Energy Advisors, Inc. (2002 – Present)
President

Navigant Consulting, Inc. (1997 – 2001)
Managing Director (2000 – 2001)
Director (1998 – 2000)
Vice President, REED Consulting Group (1997 – 1998)

REED Consulting Group (1997)
Vice President

Bay State Gas Company (1987 – 1997)
Vice President, Energy Ventures and Assistant Treasurer

Boston College (1986 – 1987)
Financial Analyst

General Telephone Company of the South (1984 – 1986)
Revenue Requirements Analyst

EDUCATION

M.B.A., University of Massachusetts at Amherst, 1984
B.S., University of Delaware, 1982

DESIGNATIONS AND PROFESSIONAL AFFILIATIONS

Chartered Financial Analyst, 1991
Association for Investment Management and Research
Boston Security Analyst Society

PUBLICATIONS/PRESENTATIONS

Has made numerous presentations throughout the United States and Canada on several topics, including:

- Generation Asset Valuation and the Use of Real Options
- Retail and Wholesale Market Entry Strategies
- The Use Strategic Alliances in Restructured Energy Markets
- Gas Supply and Pipeline Infrastructure in the Northeast Energy Markets
- Nuclear Asset Valuation and the Divestiture Process

AVAILABLE UPON REQUEST

Extensive client and project listings, and specific references.

SPONSOR	DATE	CASE / APPLICANT	DOCKET NO.	SUBJECT
Arkansas Public Service Commission				
CenterPoint Energy Resources Corp. D/B/A CenterPoint Energy Arkansas Gas	01/07	CenterPoint Energy Resources Corp. D/B/A CenterPoint Energy Arkansas Gas	Docket No. 06-161-U	Return on Equity
Colorado Public Utilities Commission				
Atmos Energy Corporation	07/09	Atmos Energy Colorado-Kansas Division	Docket No. 09AL-507G	Return on Equity (gas)
Xcel Energy	12/06	Public Service Company of Colorado	Docket No. 06S-656G	Return on Equity (gas)
Xcel Energy	04/06	Public Service Company of Colorado	Docket No. 06S-234EG	Return on Equity (electric)
Xcel Energy	08/05	Public Service Company of Colorado	Docket No. 05S-369ST	Return on Equity (steam)
Xcel Energy	05/05	Public Service Company of Colorado	Docket No. 05S-264G	Return on Equity (gas)
Connecticut Department of Public Utility Control				
Southern Connecticut Gas Company	09/08	Southern Connecticut Gas Company	Docket No. 08-08-17	Return on Equity
Southern Connecticut Gas Company	12/07	Southern Connecticut Gas Company	Docket No. 05-03-17PH02	Return on Equity
Connecticut Natural Gas Corporation	12/07	Connecticut Natural Gas Corporation	Docket No. 06-03-04PH02	Return on Equity
Federal Energy Regulatory Commission				
Florida Gas Transmission Company, LLC	10/09	Florida Gas Transmission Company, LLC	Docket No. RP10-21-000	Return on Equity
Maritimes and Northeast Pipeline, LLC	07/09	Maritimes and Northeast Pipeline, LLC	Docket No. RP09-809-000	Return on Equity
Spectra Energy	02/08	Saltville Gas Storage	Docket No. RP08-257-000	Return on Equity
Panhandle Energy Pipelines	08/07	Panhandle Energy Pipelines	Docket No. PL07-2-000	Response to draft policy statement regarding inclusion of MLPs in proxy groups for determination of gas pipeline ROEs
Southwest Gas Storage Company	08/07	Southwest Gas Storage Company	Docket No. RP07-541-000	Return on Equity
Southwest Gas Storage Company	06/07	Southwest Gas Storage Company	Docket No. RP07-34-000	Return on Equity
Sea Robin Pipeline LLC	06/07	Sea Robin Pipeline LLC	Docket No. RP07-513-000	Return on Equity
Transwestern Pipeline Company	09/06	Transwestern Pipeline Company	Docket No. RP06-614-000	Return on Equity
GPU International and Aquila	11/00	GPU International	Docket No. EC01-24-000	Market Power Study

SPONSOR	DATE	CASE / APPLICANT	DOCKET NO.	SUBJECT
Maine Public Utilities Commission				
Northern Utilities, Inc.	07/95	Northern Utilities	Maine PUC	Gas Distribution System Expansion
Massachusetts Department of Public Utilities				
National Grid	08/09	Massachusetts Electric Company d/b/a National Grid	DPU 09-39	Revenue Decoupling and Return on Equity
National Grid	08/09	Massachusetts Electric Company and Nantucket Electric Company d/b/a National Grid	DPU 09-38	Return on Equity – Solar Generation
Bay State Gas Company	04/09	Bay State Gas Company	DTE 09-30	Return on Equity
NSTAR Electric	09/04	NSTAR Electric	DTE 04-85	Divestiture of Power Purchase Agreement
NSTAR Electric	08/04	NSTAR Electric	DTE 04-78	Divestiture of Power Purchase Agreement
NSTAR Electric	07/04	NSTAR Electric	DTE 04-68	Divestiture of Power Purchase Agreement
NSTAR Electric	07/04	NSTAR Electric	DTE 04-61	Divestiture of Power Purchase Agreement
NSTAR Electric	06/04	NSTAR Electric	DTE 04-60	Divestiture of Power Purchase Agreement
Unitil Corporation	01/04	Fitchburg Gas and Electric	DTE 03-52	Integrated Resource Plan; Gas Demand Forecast
Bay State Gas Company	01/93	Bay State Gas Company	DPU 93-14	Long Term Debt Financing
Bay State Gas Company	01/91	Bay State Gas Company	DPU 91-25	Long Term Debt Financing
Minnesota Public Utilities Commission				
Minnesota Power a division of ALLETE, Inc.	11/09	Minnesota Power	Docket No. E015/GR-09-1151	Return on Equity
CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas	11/08	CenterPoint Energy Minnesota Gas	Docket No. G-008/GR-08-1075	Return on Equity
Otter Tail Power Corporation	10/07	Otter Tail Power Company	Docket No. E017/GR-07-1178	Return on Equity
Xcel Energy	11/05	NSP-Minnesota	Docket No. E002/GR-05-1428	Return on Equity (electric)
Xcel Energy	09/04	NSP Minnesota	Docket No. G002/GR-04-1511	Cost of Capital (gas)

SPONSOR	DATE	CASE / APPLICANT	DOCKET NO.	SUBJECT
Mississippi Public Service Commission				
CenterPoint Energy Resources, Corp. d/b/a CenterPoint Energy Entex and CenterPoint Energy Mississippi Gas	07/09	CenterPoint Energy Mississippi Gas	Docket No. 09-UN-334	Return on Equity
New Hampshire Public Utilities Commission				
EnergyNorth Natural Gas d/b/a National Grid NH	02/10	EnergyNorth Natural Gas d/b/a National Grid NH	Docket No. DG 10-017	Return on Equity
Unitil Energy Systems, Inc. ("Unitil"), EnergyNorth Natural Gas, Inc. d/b/a National Grid NH, Granite State Electric Company d/b/a National Grid, and Northern Utilities, Inc. – New Hampshire Division	08/08	Unitil Energy Systems, Inc. ("Unitil"), EnergyNorth Natural Gas, Inc. d/b/a National Grid NH, Granite State Electric Company d/b/a National Grid, and Northern Utilities, Inc. – New Hampshire Division	Docket No. DG 07-072	Carrying Charge Rate on Cash Working Capital
New Jersey Board of Public Utilities				
Pepco Holdings, Inc.	09/06	Atlantic City Electric Company	Docket No. EMO6090638	Divestiture and Valuation of Electric Generating Assets
Pepco Holdings, Inc.	12/05	Atlantic City Electric Company	BPU Docket No. EM05121058	Market Value of Electric Generation Assets; Auction
Conectiv	06/03	Atlantic City Electric Company	BPU Docket No. EO03020091	Market Value of Electric Generation Assets; Auction Process
New Mexico Public Regulation Commission				
Public Service Company Of New Mexico	09/08	Public Service Company Of New Mexico	Case No. 08-00273-UT	Return on Equity (electric)
Xcel Energy	07/07	Southwestern Public Service Company	Case No. 07-00319-UT	Return on Equity (electric)
New York State Public Service Commission				
Consolidated Edison Company of New York, Inc.	11/09	Consolidated Edison Company of New York, Inc.	Case No. 09-G-0795	Return on Equity (gas)
Consolidated Edison Company of New York, Inc.	11/09	Consolidated Edison Company of New York, Inc.	Case No. 09-S-0794	Return on Equity (steam)
Niagara Mohawk Power Corporation	07/01	Niagara Mohawk Power Corporation	Case No. 01-E-1046	Power Purchase and Sale Agreement; Standard Offer Service Agreement

SPONSOR	DATE	CASE / APPLICANT	DOCKET NO.	SUBJECT
North Dakota Public Service Commission				
Otter Tail Power Company	11/08	Otter Tail Power Company	Docket No. 08-862	Return on Equity (electric)
Oklahoma Corporation Commission				
CenterPoint Energy Resources Corp., D/B/A CenterPoint Energy Oklahoma Gas	03/09	CenterPoint Energy Oklahoma Gas	Docket No. PUD200900055	Return on Equity
Rhode Island Public Utilities Commission				
National Grid RI – Gas	08/08	National Grid RI – Gas	Docket No. 3943	Revenue Decoupling and Return on Equity
South Dakota Public Utilities Commission				
Northern States Power Company	06/09	South Dakota Division of Northern States Power	Docket No. EL09-009	Return on Equity (electric)
Otter Tail Power Company	10/08	Otter Tail Power Company	Docket No. EL08-030	Return on Equity (electric)
Texas Public Utility Commission				
Texas-New Mexico Power Company	08/08	Texas-New Mexico Power Company	Docket No. 36025	Return on Equity (electric)
Xcel Energy	05/06	Southwestern Public Service	SOAH Docket No. 473-06-2536 Docket No. 32766	Return on Equity (electric)
Texas Railroad Commission				
CenterPoint Energy Resources Corp. D/B/A CenterPoint Energy Entex and CenterPoint Energy Texas Gas	07/09	CenterPoint Energy Resources Corp. D/B/A CenterPoint Energy Entex and CenterPoint Energy Texas Gas	GUD 9902	Return on Equity
CenterPoint Energy Resources Corp. D/B/A CenterPoint Energy Texas Gas	03/08	CenterPoint Energy Resources Corp. D/B/A CenterPoint Energy Texas Gas	GUD 9791	Return on Equity
Utah Public Service Commission				
Questar Gas Company	12/07	Questar Gas Company	Docket No. 07-057-13	Return on Equity
Vermont Public Service Board				
Green Mountain Power	04/06	Green Mountain Power	Docket Nos. 7175 and 7176	Return on Equity (electric)
Vermont Gas Systems, Inc.	12/05	Vermont Gas Systems	Docket Nos. 7109 and 7160	Return on Equity (gas)
Virginia State Corporation Commission				
Columbia Gas Of Virginia, Inc.	06/06	Columbia Gas Of Virginia, Inc.	Case No. PUE-2005-00098	Merger Synergies

SPONSOR	**DATE**	**CASE / APPLICANT**	**DOCKET NO.**	**SUBJECT**
Dominion Resources	10/01	Virginia Electric and Power Company	Case No. PUE000584	Corporate Structure and Electric Generation Strategy

30 DAY CONSTANT GROWTH DCF

Company		[1] Annualized Dividend	[2] Stock Price	[3] Dividend Yield	[4] Expected Dividend Yield	[5] Zacks EPS Growth	[6] Value Line EPS Growth	[7] First Call	[8] Average Growth Rate	[9] Low DCF ROE	[10] Mean DCF ROE	[11] High DCF ROE
PROXY GROUP ELECTRIC UTILITIES												
American Electric Power	AEP	$1.64	$34.44	4.76%	4.85%	3.60%	3.00%	4.00%	3.53%	7.83%	8.38%	8.86%
Cleco Corp.	CNL	$0.90	$25.81	3.49%	3.65%	9.00%	9.50%	9.00%	9.17%	12.64%	12.81%	13.15%
DPL, Inc.	DPL	$1.21	$27.11	4.46%	4.60%	5.00%	9.00%	4.47%	6.16%	9.03%	10.76%	13.66%
Duke Energy Corp.	DUK	$0.96	$16.54	5.81%	5.94%	4.40%	5.50%	4.33%	4.74%	10.26%	10.69%	11.46%
IDACORP, Inc.	IDA	$1.20	$32.06	3.74%	3.83%	5.00%	4.50%	5.00%	4.83%	8.33%	8.67%	8.84%
Northeast Utilities	NU	$1.03	$25.73	3.98%	4.14%	8.90%	7.00%	8.01%	7.97%	11.12%	12.11%	13.06%
Portland General	POR	$1.02	$19.39	5.26%	5.39%	5.30%	3.50%	5.80%	4.87%	8.85%	10.26%	11.21%
Progress Energy	PGN	$2.48	$38.65	6.42%	6.55%	4.00%	4.50%	3.72%	4.07%	10.26%	10.62%	11.06%
Southern Co.	SO	$1.75	$32.19	5.44%	5.58%	7.10%	4.50%	4.77%	5.46%	10.06%	11.04%	12.73%
		PROXY GROUP MEAN		4.82%	4.95%	5.81%	5.67%	5.46%	5.64%	9.82%	10.59%	11.56%
								Flotation Adjustment		0.16%	0.16%	0.16%
								Adjusted Mean ROE		9.98%	10.75%	11.72%
								Adjusted Median ROE		10.22%	10.85%	11.62%

Notes

[1] Source: Bloomberg
[2] Source: Bloomberg. Based on indicated number of days historical average.
[3] Equals Col. [1]/Col. [2]
[4] Equals Col. [3] x (1+(0.5 x Col. [8]))
[5] Source: Zacks
[6] Source: Value Line
[7] Source: First Call
[8] Equals Avg (Col. [5], [6], [7])
[9] Equals (Col. [3] x (1 + (0.5 x Minimum (Col. [5], [6], [7])))) + Minimum (Col. [5], [6], [7])
[10] Equals Col. [4] + Col. [8]
[11] Equals (Col. [3] x (1 + (0.5 x Maximum (Col. [5], [6], [7])))) + Maximum (Col. [5], [6], [7])

90 DAY CONSTANT GROWTH DCF

Company		[1] Annualized Dividend	[2] Stock Price	[3] Dividend Yield	[4] Expected Dividend Yield	[5] Zacks EPS Growth	[6] Value Line EPS Growth	[7] First Call	[8] Average Growth Rate	[9] Low DCF ROE	[10] Mean DCF ROE	[11] High DCF ROE
PROXY GROUP ELECTRIC UTILITIES												
American Electric Power	AEP	$1.64	$33.53	4.89%	4.98%	3.60%	3.00%	4.00%	3.53%	7.96%	8.51%	8.99%
Cleco Corp.	CNL	$0.90	$25.97	3.46%	3.62%	9.00%	9.50%	9.00%	9.17%	12.62%	12.79%	13.13%
DPL, Inc.	DPL	$1.21	$27.24	4.44%	4.58%	5.00%	9.00%	4.47%	6.16%	9.01%	10.74%	13.64%
Duke Energy Corp.	DUK	$0.96	$16.64	5.77%	5.90%	4.40%	5.50%	4.33%	4.74%	10.22%	10.65%	11.43%
IDACORP, Inc.	IDA	$1.20	$30.93	3.88%	3.97%	5.00%	4.50%	5.00%	4.83%	8.47%	8.81%	8.98%
Northeast Utilities	NU	$1.03	$24.95	4.11%	4.27%	8.90%	7.00%	8.01%	7.97%	11.25%	12.24%	13.19%
Portland General	POR	$1.02	$19.78	5.16%	5.28%	5.30%	3.50%	5.80%	4.87%	8.75%	10.15%	11.11%
Progress Energy	PGN	$2.48	$39.17	6.33%	6.46%	4.00%	4.50%	3.72%	4.07%	10.17%	10.53%	10.97%
Southern Co.	SO	$1.75	$32.51	5.38%	5.53%	7.10%	4.50%	4.77%	5.46%	10.00%	10.99%	12.67%
		PROXY GROUP MEAN		4.82%	4.96%	5.81%	5.67%	5.46%	5.64%	9.83%	10.60%	11.57%
								Flotation Adjustment		0.16%	0.16%	0.16%
								Adjusted Mean ROE		9.99%	10.76%	11.73%
								Adjusted Median ROE		10.16%	10.81%	11.59%

Notes
[1] Source: Bloomberg
[2] Source: Bloomberg. Based on indicated number of days historical average.
[3] Equals Col. [1]/Col. [2]
[4] Equals Col. [3] x (1+(0.5 x Col. [8]))
[5] Source: Zacks
[6] Source: Value Line
[7] Source: First Call
[8] Equals Avg (Col. [5], [6], [7])
[9] Equals (Col. [3] x (1 + (0.5 x Minimum (Col. [5], [6], [7])))) + Minimum (Col. [5], [6], [7])
[10] Equals Col. [4] + Col. [8]
[11] Equals (Col. [3] x (1 + (0.5 x Maximum (Col. [5], [6], [7])))) + Maximum (Col. [5], [6], [7])

180 DAY CONSTANT GROWTH DCF

Company		[1] Annualized Dividend	[2] Stock Price	[3] Dividend Yield	[4] Expected Dividend Yield	[5] Zacks EPS Growth	[6] Value Line EPS Growth	[7] First Call	[8] Average Growth Rate	[9] Low DCF ROE	[10] Mean DCF ROE	[11] High DCF ROE
PROXY GROUP ELECTRIC UTILITIES												
American Electric Power	AEP	$1.64	$31.91	5.14%	5.23%	3.60%	3.00%	4.00%	3.53%	8.22%	8.76%	9.24%
Cleco Corp.	CNL	$0.90	$24.92	3.61%	3.78%	9.00%	9.50%	9.00%	9.17%	12.77%	12.94%	13.28%
DPL, Inc.	DPL	$1.21	$25.88	4.68%	4.82%	5.00%	9.00%	4.47%	6.16%	9.25%	10.98%	13.89%
Duke Energy Corp.	DUK	$0.96	$15.94	6.02%	6.17%	4.40%	5.50%	4.33%	4.74%	10.48%	10.91%	11.69%
IDACORP, Inc.	IDA	$1.20	$29.22	4.11%	4.21%	5.00%	4.50%	5.00%	4.83%	8.70%	9.04%	9.21%
Northeast Utilities	NU	$1.03	$24.03	4.27%	4.44%	8.90%	7.00%	8.01%	7.97%	11.41%	12.41%	13.36%
Portland General	POR	$1.02	$19.65	5.19%	5.32%	5.30%	3.50%	5.80%	4.87%	8.78%	10.18%	11.14%
Progress Energy	PGN	$2.48	$38.83	6.39%	6.52%	4.00%	4.50%	3.72%	4.07%	10.23%	10.59%	11.03%
Southern Co.	SO	$1.75	$31.99	5.47%	5.62%	7.10%	4.50%	4.77%	5.46%	10.09%	11.08%	12.76%
		PROXY GROUP MEAN		4.99%	5.12%	5.81%	5.67%	5.46%	5.64%	9.99%	10.77%	11.73%
								Flotation Adjustment		0.16%	0.16%	0.16%
								Adjusted Mean ROE		10.15%	10.92%	11.89%
								Adjusted Median ROE		10.25%	11.07%	11.85%

Notes
[1] Source: Bloomberg
[2] Source: Bloomberg. Based on indicated number of days historical average.
[3] Equals Col. [1]/Col. [2]
[4] Equals Col. [3] x (1+(0.5 x Col. [8]))
[5] Source: Zacks
[6] Source: Value Line
[7] Source: First Call
[8] Equals Avg (Col. [5], [6], [7])
[9] Equals (Col. [3] x (1 + (0.5 x Minimum (Col. [5], [6], [7])))) + Minimum (Col. [5], [6], [7])
[10] Equals Col. [4] + Col. [8]
[11] Equals (Col. [3] x (1 + (0.5 x Maximum (Col. [5], [6], [7])))) + Maximum (Col. [5], [6], [7])

CAPM UTILIZING ALTERNATIVE MARKET RISK PREMIUM CALCULATIONS

Current Beta Coefficient

[1] Near Term Projected 30 Year Treasury		4.90%	
[2] Long Term Projected 30 Year Treasury			5.75%
Sharpe Ratio Derived Market Risk Premium	8.10%	10.90%	11.75%
Ex-Ante Approach Derived Market Risk Premium	7.19%	10.23%	11.08%
Proxy Group Beta	0.74		

[1] Source: Blue Chip Financial Forecast, March 1, 2010, at 2.
[2] Source Blue Chip Financial Forecast, December 1, 2009, at 14.

Historical Beta Coefficient

[1] Near Term Projected 30 Year Treasury		4.90%	
[2] Long Term Projected 30 Year Treasury			5.75%
Sharpe Ratio Derived Market Risk Premium	8.10%	10.40%	11.25%
Ex-Ante Approach Derived Market Risk Premium	7.19%	9.79%	10.64%
Proxy Group Beta	0.68		

[1] Source: Blue Chip Financial Forecast, March 1, 2010, at 2.
[2] Source Blue Chip Financial Forecast, December 1, 2009, at 14.

MARKET RISK PREMIUM UTILIZING EXPECTED MARKET SHARPE RATIO

RP_h	Vol_h		
6.70%	20.40%		
VOL_e		Expected Market Sharpe Ratio	RP_e
24.67%		32.85%	8.10%

$$\frac{RP_h}{Vol_h} \times Vol_e = RP_e$$

RP_h = historical arithmetic average Risk Premium
Vol_h = historical market volatility
Vol_e = expected market volatility

Date	VXV	06/10 VIX Futures	07/10 VIX Futures	08/10 VIX Futures
2/26/2010	21.65	23.95	24.20	24.20
2/25/2010	22.07	24.10	24.30	24.20
2/24/2010	22.08	24.05	24.25	24.25
2/23/2010	22.62	24.30	24.45	24.35
2/22/2010	21.73	24.00	24.25	24.25
2/19/2010	22.31	24.35	24.50	24.55
2/18/2010	22.78	24.70	24.90	24.90
2/17/2010	23.29	24.95	25.20	25.05
2/16/2010	23.57	25.20	25.45	25.35
2/12/2010	24.46	25.95	26.05	25.95
2/11/2010	24.57	25.85	25.95	25.85
2/10/2010	25.87	26.10	26.20	26.05
2/9/2010	26.04	26.15	26.15	26.05
2/8/2010	26.43	26.30	26.35	26.25
2/5/2010	26.00	26.15	26.20	26.00
2/4/2010	25.98	25.95	25.90	25.85
2/3/2010	23.00	24.85	24.95	24.90
2/2/2010	22.93	24.75	24.90	24.85
2/1/2010	23.64	25.00	25.05	24.95
1/29/2010	25.38	25.45	25.45	25.30
1/28/2010	24.67	25.15	25.15	25.05
1/27/2010	24.13	25.10	25.10	25.00
1/26/2010	25.17	25.30	25.25	25.25
1/25/2010	25.19	25.10	25.15	25.15
1/22/2010	26.29	25.35	25.50	25.35
1/21/2010	23.15	24.45	24.55	24.55
1/20/2010	21.40	23.90	23.85	24.05
1/19/2010	20.89	23.80	23.90	24.10
1/15/2010	21.48	24.35	24.45	24.45
1/14/2010	20.71	24.00	24.15	24.25
Average 24.67	23.65	24.95	25.06	25.01

ESTIMATED MARKET RISK PREMIUM DERIVED FROM

Estimated Weighted Index Dividend Yield	Weighted Index Long-Term Growth Rate	S&P 500 Estimated Required Market Return
1.79%	9.91%	11.79%

Estimate:	92.32%

30 Day Average 30-Year Treasury Yield	4.60%
Implied Market Risk Premium	7.19%

Standard and Poor's 500 Index

Ticker	Name	Weight in the Index (%)	Long-Term Growth Estimate (%)	Cap-Weighted Long-Term Growth	Estimated 2009 Dividend Yield (%)	Cap-Weighted Dividend Yield
MMM UN Equity	3M CO	0.56%	10.58%	0.06%	2.62%	0.01%
ABT UN Equity	ABBOTT LABORATORIES	0.81%	11.13%	0.09%	3.24%	0.03%
ANF UN Equity	ABERCROMBIE & FITCH CO-CL A	0.03%	16.55%	0.01%	1.77%	0.00%
ADBE UW Equity	ADOBE SYSTEMS INC	0.18%	13.31%	0.02%	0.00%	0.00%
AMD UN Equity	ADVANCED MICRO DEVICES	0.05%	11.67%	0.01%	1.51%	0.00%
AES UN Equity	AES CORP	0.07%	7.50%	0.01%	0.00%	0.00%
AET UN Equity	AETNA INC	0.13%	11.00%	0.01%	0.07%	0.00%
AFL UN Equity	AFLAC INC	0.23%	12.35%	0.03%	2.24%	0.01%
A UN Equity	AGILENT TECHNOLOGIES INC	0.11%	15.00%	0.02%	0.00%	0.00%
APD UN Equity	AIR PRODUCTS & CHEMICALS INC	0.15%	10.60%	0.02%	2.57%	0.00%
ARG UN Equity	AIRGAS INC	0.05%	11.50%	0.01%	1.10%	0.00%
AKS UN Equity	AK STEEL HOLDING CORP	0.03%	10.00%	0.00%	0.74%	0.00%
AKAM UW Equity	AKAMAI TECHNOLOGIES	0.05%	14.50%	0.01%	0.00%	0.00%
AA UN Equity	ALCOA INC	0.13%	9.00%	0.01%	1.04%	0.00%
AYE UN Equity	ALLEGHENY ENERGY INC	0.04%	6.00%	0.00%	2.72%	0.00%
ATI UN Equity	ALLEGHENY TECHNOLOGIES INC	0.05%	15.00%	0.01%	1.51%	0.00%
AGN UN Equity	ALLERGAN INC	0.18%	13.77%	0.02%	0.42%	0.00%
ALL UN Equity	ALLSTATE CORP	0.17%	8.00%	0.01%	2.53%	0.00%
ALTR UW Equity	ALTERA CORPORATION	0.07%	19.33%	0.01%	0.88%	0.00%
MO UN Equity	ALTRIA GROUP INC	0.41%	7.50%	0.03%	7.10%	0.03%
AMZN UW Equity	AMAZON.COM INC	0.55%	27.48%	0.15%	0.00%	0.00%
AEE UN Equity	AMEREN CORPORATION	0.06%	4.00%	0.00%	6.07%	0.00%
AEP UN Equity	AMERICAN ELECTRIC POWER	0.16%	4.67%	0.01%	4.96%	0.01%
AXP UN Equity	AMERICAN EXPRESS CO	0.45%	10.88%	0.05%	1.87%	0.01%
AIG UN Equity	AMERICAN INTERNATIONAL GROUP	0.17%	9.00%	0.02%	0.00%	0.00%
AMT UN Equity	AMERICAN TOWER CORP-CL A	0.17%	20.83%	0.03%	0.00%	0.00%
AMP UN Equity	AMERIPRISE FINANCIAL INC	0.10%	15.60%	0.02%	1.59%	0.00%
ABC UN Equity	AMERISOURCEBERGEN CORP	0.08%	12.09%	0.01%	0.95%	0.00%
AMGN UW Equity	AMGEN INC	0.54%	8.95%	0.05%	0.00%	0.00%
APH UN Equity	AMPHENOL CORP-CL A	0.07%	17.50%	0.01%	0.14%	0.00%
APC UN Equity	ANADARKO PETROLEUM CORP	0.33%	8.09%	0.03%	0.52%	0.00%
ADI UN Equity	ANALOG DEVICES INC	0.08%	10.67%	0.01%	2.77%	0.00%
AON UN Equity	AON CORP	0.11%	8.33%	0.01%	1.48%	0.00%
APA UN Equity	APACHE CORP	0.34%	7.65%	0.03%	0.61%	0.00%
AIV UN Equity	APARTMENT INVT & MGMT CO -A	0.02%	2.89%	0.00%	2.60%	0.00%
APOL UW Equity	APOLLO GROUP INC-CL A	0.09%	16.40%	0.01%	0.00%	0.00%
AAPL UW Equity	APPLE INC	1.84%	19.05%	0.35%	0.00%	0.00%
AMAT UW Equity	APPLIED MATERIALS INC	0.16%	8.50%	0.01%	1.92%	0.00%
ADM UN Equity	ARCHER-DANIELS-MIDLAND CO	0.19%	12.50%	0.02%	1.91%	0.00%
AIZ UN Equity	ASSURANT INC	0.03%	9.67%	0.00%	2.08%	0.00%
T UN Equity	AT&T INC	1.42%	5.56%	0.08%	6.76%	0.10%
ADSK UW Equity	AUTODESK INC	0.06%	13.76%	0.01%	0.00%	0.00%
ADP UW Equity	AUTOMATIC DATA PROCESSING	0.20%	9.92%	0.02%	3.22%	0.01%
AN UN Equity	AUTONATION INC	0.03%	No Long-Term Growth		0.00%	0.00%
AZO UN Equity	AUTOZONE INC	0.08%	12.94%	0.01%	0.00%	0.00%
AVB UN Equity	AVALONBAY COMMUNITIES INC	0.06%	6.73%	0.00%	4.43%	0.00%
AVY UN Equity	AVERY DENNISON CORP	0.03%	7.00%	0.00%	2.62%	0.00%
AVP UN Equity	AVON PRODUCTS INC	0.13%	13.00%	0.02%	2.84%	0.00%
BHI UN Equity	BAKER HUGHES INC	0.15%	8.50%	0.01%	1.21%	0.00%
BLL UN Equity	BALL CORP	0.05%	7.70%	0.00%	0.74%	0.00%
BK UN Equity	BANK OF NEW YORK MELLON CORP	0.33%	11.08%	0.04%	1.65%	0.01%
BAC UN Equity	BANK OF AMERICA CORP	1.58%	6.50%	0.10%	0.31%	0.00%
BAX UN Equity	BAXTER INTERNATIONAL INC	0.34%	12.00%	0.04%	1.97%	0.01%
BBT UN Equity	BB&T CORP	0.19%	6.75%	0.01%	2.31%	0.00%
BDX UN Equity	BECTON DICKINSON AND CO	0.18%	11.50%	0.02%	1.84%	0.00%
BBBY UW Equity	BED BATH & BEYOND INC	0.10%	13.32%	0.01%	0.00%	0.00%
BMS UN Equity	BEMIS COMPANY	0.03%	7.00%	0.00%	3.19%	0.00%
BRK/B UN Equity	BERKSHIRE HATHAWAY INC-CL B	0.65%	No Long-Term Growth		0.00%	0.00%
BBY UN Equity	BEST BUY CO INC	0.15%	13.01%	0.02%	1.56%	0.00%
BIG UN Equity	BIG LOTS INC	0.03%	14.43%	0.00%	0.00%	0.00%
BIIB UW Equity	BIOGEN IDEC INC	0.15%	8.05%	0.01%	0.00%	0.00%
BJS UN Equity	BJ SERVICES CO	0.06%	5.00%	0.00%	0.89%	0.00%
BDK UN Equity	BLACK & DECKER CORP	0.04%	4.50%	0.00%	0.65%	0.00%
BMC UW Equity	BMC SOFTWARE INC	0.06%	13.02%	0.01%	0.00%	0.00%
BA UN Equity	BOEING CO	0.46%	12.80%	0.06%	2.59%	0.01%
BXP UN Equity	BOSTON PROPERTIES INC	0.09%	4.65%	0.00%	2.91%	0.00%
BSX UN Equity	BOSTON SCIENTIFIC CORP	0.12%	9.78%	0.01%	0.00%	0.00%
BMY UN Equity	BRISTOL-MYERS SQUIBB CO	0.40%	4.57%	0.02%	5.19%	0.02%
BRCM UW Equity	BROADCOM CORP-CL A	0.13%	17.38%	0.02%	0.83%	0.00%
BF/B UN Equity	BROWN-FORMAN CORP-CLASS B	0.05%	13.00%	0.01%	2.22%	0.00%
CA UW Equity	CA INC	0.11%	13.00%	0.01%	0.71%	0.00%
COG UN Equity	CABOT OIL & GAS CORP	0.04%	No Long-Term Growth		0.24%	0.00%
CAM UN Equity	CAMERON INTERNATIONAL CORP	0.10%	No Long-Term Growth		0.00%	0.00%
CPB UN Equity	CAMPBELL SOUP CO	0.11%	8.62%	0.01%	3.20%	0.00%
COF UN Equity	CAPITAL ONE FINANCIAL CORP	0.16%	10.08%	0.02%	0.69%	0.00%
CAH UN Equity	CARDINAL HEALTH INC	0.12%	10.26%	0.01%	1.91%	0.00%
CFN UN Equity	CAREFUSION CORP	0.05%	10.61%	0.01%	0.00%	0.00%
CCL UN Equity	CARNIVAL CORP	0.22%	11.04%	0.02%	1.08%	0.00%
CAT UN Equity	CATERPILLAR INC	0.35%	12.75%	0.04%	2.88%	0.01%
CBG UN Equity	CB RICHARD ELLIS GROUP INC-A	0.04%	13.33%	0.01%	0.00%	0.00%
CBS UN Equity	CBS CORP-CLASS B NON VOTING	0.08%	1.27%	0.00%	1.44%	0.00%

CELG UW Equity	CELGENE CORP	0.27%	24.26%	0.07%	0.00%	0.00%
CNP UN Equity	CENTERPOINT ENERGY INC	0.05%	2.00%	0.00%	5.61%	0.00%
CTL UN Equity	CENTURYTEL INC	0.10%	0.30%	0.00%	8.43%	0.01%
CEPH UW Equity	CEPHALON INC	0.05%	13.16%	0.01%	0.00%	0.00%
CF UN Equity	CF INDUSTRIES HOLDINGS INC	0.05%	5.00%	0.00%	0.37%	0.00%
CHRW UW Equity	C.H. ROBINSON WORLDWIDE INC	0.08%	14.58%	0.01%	1.92%	0.00%
CHK UN Equity	CHESAPEAKE ENERGY CORP	0.17%	4.67%	0.01%	1.16%	0.00%
CVX UN Equity	CHEVRON CORP	1.41%	No Long-Term Growth		3.84%	0.00%
CB UN Equity	CHUBB CORP	0.16%	8.67%	0.01%	2.88%	0.00%
CI UN Equity	CIGNA CORP	0.09%	9.16%	0.01%	0.02%	0.00%
CINF UW Equity	CINCINNATI FINANCIAL CORP	0.04%	No Long-Term Growth		5.84%	0.00%
CTAS UW Equity	CINTAS CORP	0.04%	9.80%	0.00%	1.89%	0.00%
CSCO UW Equity	CISCO SYSTEMS INC	1.37%	11.80%	0.16%	0.00%	0.00%
C UN Equity	CITIGROUP INC	0.94%	1.50%	0.01%	0.23%	0.00%
CTXS UW Equity	CITRIX SYSTEMS INC	0.08%	12.15%	0.01%	0.00%	0.00%
CLF UN Equity	CLIFFS NATURAL RESOURCES INC	0.07%	18.00%	0.01%	0.61%	0.00%
CLX UN Equity	CLOROX COMPANY	0.08%	9.50%	0.01%	3.17%	0.00%
CME UW Equity	CME GROUP INC	0.20%	13.67%	0.03%	1.56%	0.00%
CMS UN Equity	CMS ENERGY CORP	0.03%	5.50%	0.00%	3.93%	0.00%
COH UN Equity	COACH INC	0.11%	14.67%	0.02%	0.81%	0.00%
KO UN Equity	COCA-COLA CO/THE	1.22%	8.63%	0.11%	3.24%	0.04%
CCE UN Equity	COCA-COLA ENTERPRISES	0.12%	10.65%	0.01%	1.32%	0.00%
CTSH UW Equity	COGNIZANT TECH SOLUTIONS-A	0.14%	17.79%	0.03%	0.00%	0.00%
CL UN Equity	COLGATE-PALMOLIVE CO	0.40%	9.75%	0.04%	2.26%	0.01%
CMCSA UW Equity	COMCAST CORP-CLASS A	0.34%	15.04%	0.05%	2.23%	0.01%
CMA UN Equity	COMERICA INC	0.05%	4.94%	0.00%	0.56%	0.00%
CSC UN Equity	COMPUTER SCIENCES CORP	0.08%	8.64%	0.01%	0.00%	0.00%
CPWR UW Equity	COMPUWARE CORP	0.02%	No Long-Term Growth		0.00%	0.00%
CAG UN Equity	CONAGRA FOODS INC	0.11%	10.13%	0.01%	3.21%	0.00%
COP UN Equity	CONOCOPHILLIPS	0.71%	No Long-Term Growth		4.06%	0.00%
ED UN Equity	CONSOLIDATED EDISON INC	0.12%	4.26%	0.01%	5.49%	0.01%
CNX UN Equity	CONSOL ENERGY INC	0.09%	9.50%	0.01%	0.76%	0.00%
CEG UN Equity	CONSTELLATION ENERGY GROUP	0.07%	5.00%	0.00%	2.80%	0.00%
STZ UN Equity	CONSTELLATION BRANDS INC-A	0.03%	10.00%	0.00%	0.00%	0.00%
GLW UN Equity	CORNING INC	0.26%	12.83%	0.03%	1.15%	0.00%
COST UW Equity	COSTCO WHOLESALE CORP	0.26%	13.04%	0.03%	1.29%	0.00%
CVH UN Equity	COVENTRY HEALTH CARE INC	0.03%	7.28%	0.00%	0.00%	0.00%
BCR UN Equity	CR BARD INC	0.08%	12.60%	0.01%	0.83%	0.00%
CSX UN Equity	CSX CORP	0.18%	9.78%	0.02%	1.95%	0.00%
CMI UN Equity	CUMMINS INC	0.12%	8.50%	0.01%	1.23%	0.00%
CVS UN Equity	CVS CAREMARK CORP	0.47%	14.56%	0.07%	0.96%	0.00%
DHR UN Equity	DANAHER CORP	0.24%	12.97%	0.03%	0.20%	0.00%
DRI UN Equity	DARDEN RESTAURANTS INC	0.05%	12.36%	0.01%	2.48%	0.00%
DVA UN Equity	DAVITA INC	0.06%	11.64%	0.01%	0.00%	0.00%
DF UN Equity	DEAN FOODS CO	0.03%	12.94%	0.00%	0.00%	0.00%
DE UN Equity	DEERE & CO	0.24%	8.75%	0.02%	1.98%	0.00%
DELL UW Equity	DELL INC	0.26%	10.50%	0.03%	0.00%	0.00%
DNR UN Equity	DENBURY RESOURCES INC	0.04%	1.42%	0.00%	0.00%	0.00%
XRAY UW Equity	DENTSPLY INTERNATIONAL INC	0.05%	11.50%	0.01%	0.65%	0.00%
DVN UN Equity	DEVON ENERGY CORPORATION	0.30%	2.40%	0.01%	0.92%	0.00%
DV UN Equity	DEVRY INC	0.04%	21.12%	0.01%	0.27%	0.00%
DO UN Equity	DIAMOND OFFSHORE DRILLING	0.12%	20.50%	0.02%	8.53%	0.01%
DTV UW Equity	DIRECTV-CLASS A	0.30%	31.59%	0.10%	0.00%	0.00%
DFS UN Equity	DISCOVER FINANCIAL SERVICES	0.07%	7.67%	0.01%	0.58%	0.00%
DISCA UW Equity	DISCOVERY COMMUNICATIONS-A	0.04%	18.23%	0.01%	0.00%	0.00%
D UN Equity	DOMINION RESOURCES INC/VA	0.22%	3.34%	0.01%	4.66%	0.01%
DOV UN Equity	DOVER CORP	0.08%	No Long-Term Growth		2.35%	0.00%
DOW UN Equity	DOW CHEMICAL	0.33%	7.50%	0.02%	2.63%	0.01%
DHI UN Equity	DR HORTON INC	0.04%	4.00%	0.00%	1.17%	0.00%
DPS UN Equity	DR PEPPER SNAPPLE GROUP INC	0.08%	9.50%	0.01%	1.70%	0.00%
DTE UN Equity	DTE ENERGY COMPANY	0.07%	4.50%	0.00%	4.82%	0.00%
DD UN Equity	DU PONT (E.I.) DE NEMOURS	0.30%	12.00%	0.04%	4.79%	0.01%
DUK UN Equity	DUKE ENERGY CORP	0.21%	4.60%	0.01%	6.01%	0.01%
DNB UN Equity	DUN & BRADSTREET CORP	0.03%	13.20%	0.00%	2.00%	0.00%
ETFC UW Equity	E*TRADE FINANCIAL CORP	0.03%	No Long-Term Growth		0.00%	0.00%
EMN UN Equity	EASTMAN CHEMICAL COMPANY	0.04%	11.50%	0.00%	2.89%	0.00%
EK UN Equity	EASTMAN KODAK CO	0.02%	10.00%	0.00%	0.00%	0.00%
ETN UN Equity	EATON CORP	0.11%	14.60%	0.02%	2.87%	0.00%
EBAY UW Equity	EBAY INC	0.30%	12.00%	0.04%	0.00%	0.00%
ECL UN Equity	ECOLAB INC	0.10%	13.04%	0.01%	1.38%	0.00%
EIX UN Equity	EDISON INTERNATIONAL	0.10%	4.26%	0.00%	3.92%	0.00%
EP UN Equity	EL PASO CORP	0.08%	11.50%	0.01%	0.35%	0.00%
ERTS UW Equity	ELECTRONIC ARTS INC	0.05%	11.95%	0.01%	0.00%	0.00%
LLY UN Equity	ELI LILLY & CO	0.38%	No Long-Term Growth		5.65%	0.00%
EMC UN Equity	EMC CORP/MASS	0.34%	14.25%	0.05%	0.00%	0.00%
EMR UN Equity	EMERSON ELECTRIC CO	0.35%	13.04%	0.05%	2.86%	0.01%
ETR UN Equity	ENTERGY CORP	0.14%	4.00%	0.01%	3.94%	0.01%
EOG UN Equity	EOG RESOURCES INC	0.23%	10.67%	0.02%	0.61%	0.00%
EQT UN Equity	EQT CORP	0.06%	16.00%	0.01%	2.00%	0.00%
EFX UN Equity	EQUIFAX INC	0.04%	9.00%	0.00%	0.00%	0.00%
EQR UN Equity	EQUITY RESIDENTIAL	0.10%	3.74%	0.00%	3.76%	0.00%
EL UN Equity	ESTEE LAUDER COMPANIES-CL A	0.07%	13.42%	0.01%	0.91%	0.00%
EXC UN Equity	EXELON CORP	0.28%	1.18%	0.00%	4.78%	0.01%
EXPE UW Equity	EXPEDIA INC	0.06%	13.57%	0.01%	0.61%	0.00%
EXPD UW Equity	EXPEDITORS INTL WASH INC	0.07%	16.93%	0.01%	1.15%	0.00%
ESRX UW Equity	EXPRESS SCRIPTS INC	0.26%	18.72%	0.05%	0.00%	0.00%
XOM UN Equity	EXXON MOBIL CORP	2.97%	No Long-Term Growth		2.70%	0.00%
FDO UN Equity	FAMILY DOLLAR STORES	0.05%	12.71%	0.01%	1.62%	0.00%
FAST UW Equity	FASTENAL CO	0.06%	16.00%	0.01%	1.78%	0.00%
FII UN Equity	FEDERATED INVESTORS INC-CL B	0.03%	8.40%	0.00%	5.30%	0.00%
FDX UN Equity	FEDEX CORP	0.26%	12.00%	0.03%	0.51%	0.00%
FIS UN Equity	FIDELITY NATIONAL INFORMATIO	0.08%	13.86%	0.01%	0.87%	0.00%
FITB UW Equity	FIFTH THIRD BANCORP	0.10%	3.17%	0.00%	0.32%	0.00%
FHN UN Equity	FIRST HORIZON NATIONAL CORP	0.03%	4.33%	0.00%	0.04%	0.00%
FSLR UW Equity	FIRST SOLAR INC	0.09%	26.01%	0.02%	0.00%	0.00%
FE UN Equity	FIRSTENERGY CORP	0.11%	3.00%	0.00%	5.75%	0.01%
FISV UW Equity	FISERV INC	0.07%	12.89%	0.01%	0.00%	0.00%
FLIR UW Equity	FLIR SYSTEMS INC	0.04%	16.07%	0.01%	0.00%	0.00%
FLS UN Equity	FLOWSERVE CORP	0.06%	No Long-Term Growth		1.05%	0.00%
FLR UN Equity	FLUOR CORP	0.08%	14.00%	0.01%	1.21%	0.00%
FMC UN Equity	FMC CORP	0.04%	7.45%	0.00%	0.81%	0.00%
FTI UN Equity	FMC TECHNOLOGIES INC	0.07%	21.33%	0.02%	0.00%	0.00%
F UN Equity	FORD MOTOR CO	0.40%	10.00%	0.04%	0.00%	0.00%
FRX UN Equity	FOREST LABORATORIES INC	0.09%	5.75%	0.01%	0.00%	0.00%
FO UN Equity	FORTUNE BRANDS INC	0.07%	10.67%	0.01%	1.73%	0.00%

FPL	UN Equity	FPL GROUP INC	0.19%	6.70%	0.01%	4.21%	0.01%
BEN	UN Equity	FRANKLIN RESOURCES INC	0.23%	10.00%	0.02%	3.37%	0.01%
FCX	UN Equity	FREEPORT-MCMORAN COPPER	0.33%	10.00%	0.03%	0.96%	0.00%
FTR	UN Equity	FRONTIER COMMUNICATIONS CORP	0.02%	No Long-Term Growth		12.37%	0.00%
GME	UN Equity	GAMESTOP CORP-CLASS A	0.03%	14.40%	0.00%	0.00%	0.00%
GCI	UN Equity	GANNETT CO	0.04%	3.33%	0.00%	1.01%	0.00%
GPS	UN Equity	GAP INC/THE	0.15%	10.73%	0.02%	1.72%	0.00%
GD	UN Equity	GENERAL DYNAMICS CORP	0.27%	7.08%	0.02%	2.18%	0.01%
GE	UN Equity	GENERAL ELECTRIC CO	1.66%	9.77%	0.16%	2.50%	0.04%
GIS	UN Equity	GENERAL MILLS INC	0.23%	9.56%	0.02%	2.64%	0.01%
GPC	UN Equity	GENUINE PARTS CO	0.06%	8.32%	0.01%	4.06%	0.00%
GNW	UN Equity	GENWORTH FINANCIAL INC-CL A	0.08%	10.00%	0.01%	0.00%	0.00%
GENZ	UW Equity	GENZYME CORP	0.15%	20.30%	0.03%	0.00%	0.00%
GILD	UW Equity	GILEAD SCIENCES INC	0.41%	14.86%	0.06%	0.00%	0.00%
GS	UN Equity	GOLDMAN SACHS GROUP INC	0.82%	9.77%	0.08%	0.88%	0.01%
GR	UN Equity	GOODRICH CORP	0.08%	6.55%	0.01%	1.56%	0.00%
GT	UN Equity	GOODYEAR TIRE & RUBBER CO	0.03%	12.00%	0.00%	0.00%	0.00%
GOOG	UW Equity	GOOGLE INC-CL A	1.30%	24.92%	0.32%	0.00%	0.00%
HRB	UN Equity	H&R BLOCK INC	0.05%	11.00%	0.01%	3.56%	0.00%
HAL	UN Equity	HALLIBURTON CO	0.27%	10.00%	0.03%	1.14%	0.00%
HOG	UN Equity	HARLEY-DAVIDSON INC	0.06%	9.33%	0.01%	1.63%	0.00%
HAR	UN Equity	HARMAN INTERNATIONAL	0.03%	12.00%	0.00%	0.12%	0.00%
HRS	UN Equity	HARRIS CORP	0.06%	10.50%	0.01%	1.37%	0.00%
HIG	UN Equity	HARTFORD FINANCIAL SVCS GRP	0.10%	9.22%	0.01%	0.68%	0.00%
HAS	UN Equity	HASBRO INC	0.05%	10.00%	0.00%	2.50%	0.00%
HCP	UN Equity	HCP INC	0.08%	7.35%	0.01%	6.02%	0.01%
HCN	UN Equity	HEALTH CARE REIT INC	0.05%	4.77%	0.00%	6.43%	0.00%
HP	UN Equity	HELMERICH & PAYNE	0.04%	16.00%	0.01%	0.54%	0.00%
HSY	UN Equity	HERSHEY CO/THE	0.07%	6.93%	0.00%	3.15%	0.00%
HES	UN Equity	HESS CORP	0.19%	0.44%	0.00%	0.66%	0.00%
HPQ	UN Equity	HEWLETT-PACKARD CO	1.17%	14.33%	0.17%	0.62%	0.01%
HNZ	UN Equity	HJ HEINZ CO	0.14%	7.65%	0.01%	3.65%	0.01%
HD	UN Equity	HOME DEPOT INC	0.51%	12.10%	0.06%	2.99%	0.02%
HON	UN Equity	HONEYWELL INTERNATIONAL INC	0.30%	7.51%	0.02%	2.97%	0.01%
HRL	UN Equity	HORMEL FOODS CORP	0.05%	No Long-Term Growth		2.01%	0.00%
HSP	UN Equity	HOSPIRA INC	0.09%	12.72%	0.01%	0.00%	0.00%
HST	UN Equity	HOST HOTELS & RESORTS INC	0.08%	No Long-Term Growth		0.37%	0.00%
HCBK	UW Equity	HUDSON CITY BANCORP INC	0.07%	21.33%	0.01%	4.66%	0.00%
HUM	UN Equity	HUMANA INC	0.08%	7.98%	0.01%	0.00%	0.00%
HBAN	UW Equity	HUNTINGTON BANCSHARES INC	0.03%	4.67%	0.00%	0.83%	0.00%
IBM	UN Equity	INTL BUSINESS MACHINES CORP	1.58%	9.72%	0.15%	1.79%	0.03%
ITW	UN Equity	ILLINOIS TOOL WORKS	0.22%	14.82%	0.03%	2.80%	0.01%
TEG	UN Equity	INTEGRYS ENERGY GROUP INC	0.04%	3.50%	0.00%	5.96%	0.00%
INTC	UW Equity	INTEL CORP	1.08%	10.88%	0.12%	2.99%	0.03%
ICE	UN Equity	INTERCONTINENTALEXCHANGE INC	0.08%	18.20%	0.01%	0.00%	0.00%
IPG	UN Equity	INTERPUBLIC GROUP OF COS INC	0.04%	11.00%	0.00%	0.00%	0.00%
IFF	UN Equity	INTL FLAVORS & FRAGRANCES	0.03%	6.00%	0.00%	2.39%	0.00%
IGT	UN Equity	INTL GAME TECHNOLOGY	0.05%	14.71%	0.01%	1.39%	0.00%
IP	UN Equity	INTERNATIONAL PAPER CO	0.10%	3.67%	0.00%	0.58%	0.00%
INTU	UW Equity	INTUIT INC	0.10%	14.68%	0.01%	0.00%	0.00%
ISRG	UW Equity	INTUITIVE SURGICAL INC	0.13%	21.63%	0.03%	0.00%	0.00%
IVZ	UN Equity	INVESCO LTD	0.09%	11.50%	0.01%	2.16%	0.00%
IRM	UN Equity	IRON MOUNTAIN INC	0.05%	18.00%	0.01%	0.98%	0.00%
ITT	UN Equity	ITT CORP	0.09%	9.67%	0.01%	1.75%	0.00%
JCP	UN Equity	J.C. PENNEY CO INC	0.07%	11.75%	0.01%	2.75%	0.00%
JBL	UN Equity	JABIL CIRCUIT INC	0.03%	15.00%	0.01%	1.70%	0.00%
JEC	UN Equity	JACOBS ENGINEERING GROUP INC	0.05%	13.50%	0.01%	0.00%	0.00%
JNS	UN Equity	JANUS CAPITAL GROUP INC	0.02%	8.40%	0.00%	0.30%	0.00%
JDSU	UW Equity	JDS UNIPHASE CORP	0.02%	14.40%	0.00%	0.00%	0.00%
SJM	UN Equity	JM SMUCKER CO/THE	0.07%	7.47%	0.01%	2.42%	0.00%
JCI	UN Equity	JOHNSON CONTROLS INC	0.21%	No Long-Term Growth		1.64%	0.00%
JNJ	UN Equity	JOHNSON & JOHNSON	1.69%	7.38%	0.12%	3.28%	0.06%
JPM	UN Equity	JPMORGAN CHASE & CO	1.60%	8.50%	0.14%	1.27%	0.02%
JNPR	UN Equity	JUNIPER NETWORKS INC	0.14%	17.30%	0.02%	0.00%	0.00%
K	UN Equity	KELLOGG CO	0.19%	9.38%	0.02%	2.90%	0.01%
KEY	UN Equity	KEYCORP	0.06%	4.00%	0.00%	0.56%	0.00%
KMB	UN Equity	KIMBERLY-CLARK CORP	0.24%	12.02%	0.03%	4.32%	0.01%
KIM	UN Equity	KIMCO REALTY CORP	0.05%	3.36%	0.00%	4.57%	0.00%
KG	UN Equity	KING PHARMACEUTICALS INC	0.03%	12.75%	0.00%	0.00%	0.00%
KLAC	UW Equity	KLA-TENCOR CORPORATION	0.05%	4.50%	0.00%	1.91%	0.00%
KSS	UN Equity	KOHLS CORP	0.16%	13.78%	0.02%	0.00%	0.00%
KFT	UN Equity	KRAFT FOODS INC-CLASS A	0.42%	8.32%	0.03%	4.03%	0.02%
KR	UN Equity	KROGER CO	0.14%	8.94%	0.01%	1.75%	0.00%
LLL	UN Equity	L-3 COMMUNICATIONS HOLDINGS	0.10%	10.38%	0.01%	1.61%	0.00%
LH	UN Equity	LABORATORY CRP OF AMER HLDGS	0.07%	12.55%	0.01%	0.00%	0.00%
LM	UN Equity	LEGG MASON INC	0.04%	7.62%	0.00%	0.44%	0.00%
LEG	UN Equity	LEGGETT & PLATT INC	0.03%	15.00%	0.00%	5.20%	0.00%
LEN	UN Equity	LENNAR CORP-CL A	0.02%	10.50%	0.00%	0.97%	0.00%
LUK	UN Equity	LEUCADIA NATIONAL CORP	0.06%	No Long-Term Growth		0.00%	0.00%
LXK	UN Equity	LEXMARK INTERNATIONAL INC-A	0.03%	No Long-Term Growth		0.00%	0.00%
LIFE	UW Equity	LIFE TECHNOLOGIES CORP	0.09%	10.10%	0.01%	0.00%	0.00%
LNC	UN Equity	LINCOLN NATIONAL CORP	0.08%	7.77%	0.01%	0.15%	0.00%
LLTC	UW Equity	LINEAR TECHNOLOGY CORP	0.06%	12.17%	0.01%	3.35%	0.00%
LMT	UN Equity	LOCKHEED MARTIN CORP	0.29%	7.71%	0.02%	3.21%	0.01%
L	UN Equity	LOEWS CORP	0.15%	No Long-Term Growth		0.67%	0.00%
LO	UN Equity	LORILLARD INC	0.11%	6.00%	0.01%	5.67%	0.01%
LOW	UN Equity	LOWE'S COS INC	0.34%	14.01%	0.05%	1.59%	0.01%
LSI	UN Equity	LSI CORP	0.04%	No Long-Term Growth		0.00%	0.00%
LTD	UN Equity	LTD BRANDS INC	0.07%	13.71%	0.01%	2.67%	0.00%
MTB	UN Equity	M & T BANK CORP	0.09%	4.63%	0.00%	3.52%	0.00%
M	UN Equity	MACY'S INC	0.08%	11.20%	0.01%	1.00%	0.00%
MRO	UN Equity	MARATHON OIL CORP	0.20%	8.04%	0.02%	3.30%	0.01%
MAR	UN Equity	MARRIOTT INTERNATIONAL-CL A	0.09%	7.23%	0.01%	0.57%	0.00%
MMC	UN Equity	MARSH & MCLENNAN COS	0.12%	8.25%	0.01%	3.51%	0.00%
MI	UN Equity	MARSHALL & ILSLEY CORP	0.04%	8.83%	0.00%	0.55%	0.00%
MAS	UN Equity	MASCO CORP	0.05%	11.67%	0.01%	2.13%	0.00%
MEE	UN Equity	MASSEY ENERGY CO	0.04%	11.50%	0.00%	0.49%	0.00%
MA	UN Equity	MASTERCARD INC-CLASS A	0.25%	18.90%	0.05%	0.26%	0.00%
MAT	UW Equity	MATTEL INC	0.08%	8.50%	0.01%	2.84%	0.00%
MFE	UN Equity	MCAFEE INC	0.06%	13.80%	0.01%	0.00%	0.00%
MKC	UN Equity	MCCORMICK & CO-NON VTG SHRS	0.04%	9.80%	0.00%	2.73%	0.00%
MCD	UN Equity	MCDONALD'S CORP	0.66%	10.44%	0.07%	3.63%	0.02%
MHP	UN Equity	MCGRAW-HILL COMPANIES INC	0.10%	9.63%	0.01%	2.84%	0.00%
MCK	UN Equity	MCKESSON CORP	0.16%	11.80%	0.02%	0.73%	0.00%

MJN	UN Equity	MEAD JOHNSON NUTRITION CO	0.10%	9.00%	0.01%	1.87%	0.00%
MWV	UN Equity	MEADWESTVACO CORP	0.04%	10.00%	0.00%	3.83%	0.00%
MHS	UN Equity	MEDCO HEALTH SOLUTIONS INC	0.28%	16.85%	0.05%	0.05%	0.00%
MDT	UN Equity	MEDTRONIC INC	0.48%	11.12%	0.05%	1.84%	0.01%
WFR	UN Equity	MEMC ELECTRONIC MATERIALS	0.03%	15.20%	0.00%	0.00%	0.00%
MRK	UN Equity	MERCK & CO. INC.	1.11%	4.60%	0.05%	4.12%	0.05%
MDP	UN Equity	MEREDITH CORP	0.01%	13.00%	0.00%	2.78%	0.00%
MET	UN Equity	METLIFE INC	0.29%	11.40%	0.03%	2.05%	0.01%
PCS	UN Equity	METROPCS COMMUNICATIONS INC	0.02%	19.79%	0.00%	0.00%	0.00%
MCHP	UW Equity	MICROCHIP TECHNOLOGY INC	0.05%	10.00%	0.00%	5.05%	0.00%
MU	UW Equity	MICRON TECHNOLOGY INC	0.08%	10.67%	0.01%	0.00%	0.00%
MSFT	UW Equity	MICROSOFT CORP	2.41%	11.18%	0.27%	1.84%	0.04%
MIL	UN Equity	MILLIPORE CORP	0.06%	12.80%	0.01%	0.00%	0.00%
MOLX	UW Equity	MOLEX INC	0.02%	13.33%	0.00%	2.99%	0.00%
TAP	UN Equity	MOLSON COORS BREWING CO -B	0.07%	12.00%	0.01%	2.40%	0.00%
MON	UN Equity	MONSANTO CO	0.39%	13.50%	0.05%	1.47%	0.01%
MWW	UN Equity	MONSTER WORLDWIDE INC	0.02%	17.40%	0.00%	0.00%	0.00%
MCO	UN Equity	MOODY'S CORP	0.06%	11.67%	0.01%	1.47%	0.00%
MS	UN Equity	MORGAN STANLEY	0.39%	11.80%	0.05%	0.95%	0.00%
MOT	UN Equity	MOTOROLA INC	0.15%	30.35%	0.05%	0.00%	0.00%
MUR	UN Equity	MURPHY OIL CORP	0.10%	15.00%	0.01%	1.97%	0.00%
MYL	UW Equity	MYLAN INC	0.06%	14.95%	0.01%	0.30%	0.00%
NBR	UN Equity	NABORS INDUSTRIES LTD	0.06%	9.50%	0.01%	0.00%	0.00%
NDAQ	UW Equity	NASDAQ OMX GROUP/THE	0.04%	12.50%	0.01%	0.00%	0.00%
NOV	UN Equity	NATIONAL OILWELL VARCO INC	0.18%	7.00%	0.01%	2.14%	0.00%
NSM	UN Equity	NATIONAL SEMICONDUCTOR CORP	0.03%	9.33%	0.00%	2.24%	0.00%
NTAP	UW Equity	NETAPP INC	0.10%	16.67%	0.02%	0.00%	0.00%
NYT	UN Equity	NEW YORK TIMES CO -CL A	0.02%	3.50%	0.00%	0.00%	0.00%
NWL	UN Equity	NEWELL RUBBERMAID INC	0.04%	8.75%	0.00%	1.62%	0.00%
NEM	UN Equity	NEWMONT MINING CORP	0.24%	10.15%	0.02%	0.79%	0.00%
NWSA	UW Equity	NEWS CORP-CL A	0.24%	10.87%	0.03%	0.99%	0.00%
GAS	UN Equity	NICOR INC	0.02%	4.20%	0.00%	4.38%	0.00%
NKE	UN Equity	NIKE INC -CL B	0.26%	11.57%	0.03%	1.55%	0.00%
NI	UN Equity	NISOURCE INC	0.04%	3.00%	0.00%	6.13%	0.00%
NBL	UN Equity	NOBLE ENERGY INC	0.12%	6.75%	0.01%	0.72%	0.00%
JWN	UN Equity	NORDSTROM INC	0.08%	12.41%	0.01%	1.62%	0.00%
NSC	UN Equity	NORFOLK SOUTHERN CORP	0.19%	9.40%	0.02%	2.62%	0.00%
NU	UN Equity	NORTHEAST UTILITIES	0.04%	7.21%	0.00%	3.90%	0.00%
NTRS	UW Equity	NORTHERN TRUST CORP	0.12%	11.00%	0.01%	2.11%	0.00%
NOC	UN Equity	NORTHROP GRUMMAN CORP	0.18%	8.70%	0.02%	2.84%	0.01%
NOVL	UW Equity	NOVELL INC	0.02%	8.33%	0.00%	0.00%	0.00%
NVLS	UW Equity	NOVELLUS SYSTEMS INC	0.02%	19.50%	0.00%	0.00%	0.00%
NRG	UN Equity	NRG ENERGY INC	0.06%	2.51%	0.00%	0.19%	0.00%
NUE	UN Equity	NUCOR CORP	0.13%	15.00%	0.02%	3.32%	0.00%
NVDA	UW Equity	NVIDIA CORP	0.09%	15.40%	0.01%	0.00%	0.00%
NYX	UN Equity	NYSE EURONEXT	0.07%	11.50%	0.01%	4.29%	0.00%
ORLY	UW Equity	O'REILLY AUTOMOTIVE INC	0.05%	16.86%	0.01%	0.00%	0.00%
OXY	UN Equity	OCCIDENTAL PETROLEUM CORP	0.64%	6.39%	0.04%	1.69%	0.01%
ODP	UN Equity	OFFICE DEPOT INC	0.02%	11.40%	0.00%	0.00%	0.00%
OMC	UN Equity	OMNICOM GROUP	0.11%	10.80%	0.01%	1.70%	0.00%
ORCL	UW Equity	ORACLE CORP	1.18%	12.62%	0.15%	0.81%	0.01%
OI	UN Equity	OWENS-ILLINOIS INC	0.05%	5.00%	0.00%	0.00%	0.00%
PCAR	UW Equity	PACCAR INC	0.13%	9.67%	0.01%	1.22%	0.00%
PTV	UN Equity	PACTIV CORPORATION	0.03%	12.15%	0.00%	0.00%	0.00%
PLL	UN Equity	PALL CORP	0.05%	13.75%	0.01%	1.67%	0.00%
PH	UN Equity	PARKER HANNIFIN CORP	0.10%	8.50%	0.01%	1.66%	0.00%
PDCO	UW Equity	PATTERSON COS INC	0.04%	14.33%	0.01%	0.00%	0.00%
PAYX	UW Equity	PAYCHEX INC	0.11%	12.08%	0.01%	4.13%	0.00%
BTU	UN Equity	PEABODY ENERGY CORP	0.12%	9.50%	0.01%	0.59%	0.00%
PBCT	UW Equity	PEOPLE'S UNITED FINANCIAL	0.06%	9.00%	0.00%	3.92%	0.00%
POM	UN Equity	PEPCO HOLDINGS INC	0.04%	7.00%	0.00%	7.08%	0.00%
PEP	UN Equity	PEPSICO INC	1.02%	10.43%	0.11%	2.97%	0.03%
PKI	UN Equity	PERKINELMER INC	0.03%	11.17%	0.00%	1.21%	0.00%
PFE	UN Equity	PFIZER INC	1.35%	3.07%	0.04%	4.20%	0.06%
PCG	UN Equity	P G & E CORP	0.15%	7.36%	0.01%	4.28%	0.01%
PM	UN Equity	PHILIP MORRIS INTERNATIONAL	0.92%	10.15%	0.09%	4.89%	0.04%
PNW	UN Equity	PINNACLE WEST CAPITAL	0.04%	5.00%	0.00%	5.61%	0.00%
PXD	UN Equity	PIONEER NATURAL RESOURCES CO	0.05%	10.50%	0.01%	0.65%	0.00%
PBI	UN Equity	PITNEY BOWES INC	0.05%	No Long-Term Growth		6.43%	0.00%
PCL	UN Equity	PLUM CREEK TIMBER CO	0.06%	6.80%	0.00%	4.67%	0.00%
PNC	UN Equity	PNC FINANCIAL SERVICES GROUP	0.27%	7.33%	0.02%	0.74%	0.00%
RL	UN Equity	POLO RALPH LAUREN CORP	0.04%	14.50%	0.01%	0.32%	0.00%
PPG	UN Equity	PPG INDUSTRIES INC	0.10%	6.00%	0.01%	3.45%	0.00%
PPL	UN Equity	PPL CORPORATION	0.10%	10.95%	0.01%	5.03%	0.01%
PX	UN Equity	PRAXAIR INC	0.23%	10.67%	0.02%	2.28%	0.01%
PCP	UN Equity	PRECISION CASTPARTS CORP	0.16%	10.50%	0.02%	0.10%	0.00%
PCLN	UW Equity	PRICELINE.COM INC	0.10%	18.00%	0.02%	0.00%	0.00%
PFG	UN Equity	PRINCIPAL FINANCIAL GROUP	0.07%	12.70%	0.01%	2.00%	0.00%
PG	UN Equity	PROCTER & GAMBLE CO/THE	1.78%	9.00%	0.16%	2.81%	0.05%
PGN	UN Equity	PROGRESS ENERGY INC	0.11%	3.86%	0.00%	6.43%	0.01%
PGR	UN Equity	PROGRESSIVE CORP	0.11%	8.15%	0.01%	1.08%	0.00%
PLD	UN Equity	PROLOGIS	0.06%	21.28%	0.01%	4.81%	0.00%
PRU	UN Equity	PRUDENTIAL FINANCIAL INC	0.24%	11.37%	0.03%	1.46%	0.00%
PEG	UN Equity	PUBLIC SERVICE ENTERPRISE GP	0.15%	5.00%	0.01%	4.51%	0.01%
PSA	UN Equity	PUBLIC STORAGE	0.14%	4.33%	0.01%	2.85%	0.00%
PHM	UN Equity	PULTE HOMES INC	0.04%	10.50%	0.00%	0.03%	0.00%
QLGC	UW Equity	QLOGIC CORP	0.02%	11.20%	0.00%	0.00%	0.00%
QCOM	UW Equity	QUALCOMM INC	0.63%	17.95%	0.11%	1.77%	0.01%
PWR	UN Equity	QUANTA SERVICES INC	0.04%	12.50%	0.00%	0.00%	0.00%
DGX	UN Equity	QUEST DIAGNOSTICS	0.10%	12.23%	0.01%	0.75%	0.00%
STR	UN Equity	QUESTAR CORP	0.07%	No Long-Term Growth		1.19%	0.00%
Q	UN Equity	QWEST COMMUNICATIONS INTL	0.08%	1.48%	0.00%	7.10%	0.01%
RSH	UN Equity	RADIOSHACK CORP	0.03%	8.21%	0.00%	1.24%	0.00%
RRC	UN Equity	RANGE RESOURCES CORP	0.08%	8.75%	0.01%	0.27%	0.00%
RTN	UN Equity	RAYTHEON COMPANY	0.21%	8.50%	0.02%	2.31%	0.00%
RHT	UN Equity	RED HAT INC	0.05%	19.11%	0.01%	0.00%	0.00%
RF	UN Equity	REGIONS FINANCIAL CORP	0.08%	1.50%	0.00%	0.60%	0.00%
RSG	UN Equity	REPUBLIC SERVICES INC	0.11%	16.15%	0.02%	2.62%	0.00%
RAI	UN Equity	REYNOLDS AMERICAN INC	0.15%	6.00%	0.01%	6.69%	0.01%
RHI	UN Equity	ROBERT HALF INTL INC	0.04%	12.67%	0.01%	1.71%	0.00%
ROK	UN Equity	ROCKWELL AUTOMATION INC	0.08%	16.63%	0.01%	2.14%	0.00%
COL	UN Equity	ROCKWELL COLLINS INC.	0.09%	7.46%	0.01%	1.61%	0.00%
ROP	UN Equity	ROPER INDUSTRIES INC	0.05%	11.67%	0.01%	0.66%	0.00%
ROST	UW Equity	ROSS STORES INC	0.06%	13.33%	0.01%	1.09%	0.00%
RDC	UN Equity	ROWAN COMPANIES INC	0.03%	15.33%	0.00%	0.31%	0.00%

RRD UW Equity	RR DONNELLEY & SONS CO	0.04%	10.00%	0.00%	0.00%	0.00%
R UN Equity	RYDER SYSTEM INC	0.02%	12.67%	0.00%	2.61%	0.00%
SWY UN Equity	SAFEWAY INC	0.10%	9.50%	0.01%	1.68%	0.00%
SAI UN Equity	SAIC INC	0.07%	12.92%	0.01%	0.00%	0.00%
CRM UN Equity	SALESFORCE COM INC	0.08%	31.35%	0.03%	0.00%	0.00%
SNDK UW Equity	SANDISK CORP	0.07%	19.50%	0.01%	0.00%	0.00%
SLE UN Equity	SARA LEE CORP	0.09%	8.06%	0.01%	3.16%	0.00%
SCG UN Equity	SCANA CORP	0.04%	5.52%	0.00%	5.08%	0.00%
SLB UN Equity	SCHLUMBERGER LTD	0.73%	13.83%	0.10%	1.36%	0.01%
SCHW UW Equity	SCHWAB (CHARLES) CORP	0.21%	13.25%	0.03%	1.32%	0.00%
SNI UN Equity	SCRIPPS NETWORKS INTER-CL A	0.05%	14.53%	0.01%	0.90%	0.00%
SEE UN Equity	SEALED AIR CORP	0.03%	6.00%	0.00%	2.34%	0.00%
SHLD UW Equity	SEARS HOLDINGS CORP	0.11%	10.00%	0.01%	0.00%	0.00%
SRE UN Equity	SEMPRA ENERGY	0.12%	6.50%	0.01%	3.42%	0.00%
SHW UN Equity	SHERWIN-WILLIAMS CO/THE	0.07%	7.51%	0.01%	2.27%	0.00%
SIAL UW Equity	SIGMA-ALDRICH	0.06%	9.47%	0.01%	1.24%	0.00%
SPG UN Equity	SIMON PROPERTY GROUP INC	0.22%	4.55%	0.01%	3.17%	0.01%
SLM UN Equity	SLM CORP	0.05%	10.67%	0.01%	0.00%	0.00%
SII UN Equity	SMITH INTERNATIONAL INC	0.10%	9.67%	0.01%	1.09%	0.00%
SNA UN Equity	SNAP-ON INC	0.02%	10.00%	0.00%	2.79%	0.00%
SO UN Equity	SOUTHERN CO	0.25%	4.28%	0.01%	5.60%	0.01%
LUV UN Equity	SOUTHWEST AIRLINES CO	0.09%	11.00%	0.01%	0.08%	0.00%
SWN UN Equity	SOUTHWESTERN ENERGY CO	0.14%	41.00%	0.06%	0.00%	0.00%
SE UN Equity	SPECTRA ENERGY CORP	0.14%	7.00%	0.01%	4.65%	0.01%
S UN Equity	SPRINT NEXTEL CORP	0.09%	No Long-Term Growth		0.00%	0.00%
STJ UN Equity	ST JUDE MEDICAL INC	0.12%	13.15%	0.02%	0.00%	0.00%
SWK UN Equity	STANLEY WORKS/THE	0.05%	9.00%	0.00%	2.29%	0.00%
SPLS UW Equity	STAPLES INC	0.16%	14.89%	0.02%	1.56%	0.00%
SBUX UW Equity	STARBUCKS CORP	0.16%	17.11%	0.03%	0.00%	0.00%
HOT UN Equity	STARWOOD HOTELS & RESORTS	0.07%	1.78%	0.00%	0.64%	0.00%
STT UN Equity	STATE STREET CORP	0.21%	11.67%	0.03%	0.62%	0.00%
SRCL UW Equity	STERICYCLE INC	0.05%	16.67%	0.01%	0.00%	0.00%
SYK UN Equity	STRYKER CORP	0.21%	12.99%	0.03%	0.94%	0.00%
SUN UN Equity	SUNOCO INC	0.03%	5.00%	0.00%	1.81%	0.00%
STI UN Equity	SUNTRUST BANKS INC	0.12%	6.75%	0.01%	0.21%	0.00%
SVU UN Equity	SUPERVALU INC	0.03%	No Long-Term Growth		2.46%	0.00%
SYMC UW Equity	SYMANTEC CORP	0.13%	9.36%	0.01%	0.00%	0.00%
SYY UN Equity	SYSCO CORP	0.17%	10.50%	0.02%	3.40%	0.01%
TROW UW Equity	T ROWE PRICE GROUP INC	0.13%	9.57%	0.01%	2.03%	0.00%
TGT UN Equity	TARGET CORP	0.38%	14.36%	0.05%	1.33%	0.01%
TE UN Equity	TECO ENERGY INC	0.03%	7.67%	0.00%	5.28%	0.00%
TLAB UW Equity	TELLABS INC	0.03%	10.33%	0.00%	1.14%	0.00%
THC UN Equity	TENET HEALTHCARE CORP	0.02%	8.75%	0.00%	0.00%	0.00%
TDC UN Equity	TERADATA CORP	0.05%	11.25%	0.01%	0.00%	0.00%
TER UN Equity	TERADYNE INC	0.02%	19.80%	0.00%	0.00%	0.00%
TSO UN Equity	TESORO CORP	0.02%	No Long-Term Growth		0.77%	0.00%
TXN UN Equity	TEXAS INSTRUMENTS INC	0.29%	9.60%	0.03%	1.93%	0.01%
TXT UN Equity	TEXTRON INC	0.06%	31.14%	0.02%	0.38%	0.00%
TMO UN Equity	THERMO FISHER SCIENTIFIC INC	0.19%	11.10%	0.02%	0.00%	0.00%
TIF UN Equity	TIFFANY & CO	0.05%	12.02%	0.01%	1.63%	0.00%
TWC UN Equity	TIME WARNER CABLE	0.16%	12.75%	0.02%	3.01%	0.00%
TWX UN Equity	TIME WARNER INC	0.33%	13.60%	0.04%	2.88%	0.01%
TIE UN Equity	TITANIUM METALS CORP	0.02%	12.50%	0.00%	0.00%	0.00%
TJX UN Equity	TJX COMPANIES INC	0.17%	13.63%	0.02%	1.40%	0.00%
TMK UN Equity	TORCHMARK CORP	0.04%	7.33%	0.00%	1.44%	0.00%
TSS UN Equity	TOTAL SYSTEM SERVICES INC	0.03%	9.88%	0.00%	1.97%	0.00%
TRV UN Equity	TRAVELERS COS INC/THE	0.26%	7.74%	0.02%	2.51%	0.01%
TSN UN Equity	TYSON FOODS INC-CL A	0.05%	8.50%	0.00%	0.92%	0.00%
UNP UN Equity	UNION PACIFIC CORP	0.33%	12.68%	0.04%	1.62%	0.01%
UPS UN Equity	UNITED PARCEL SERVICE-CL B	0.41%	12.00%	0.05%	3.14%	0.01%
UTX UN Equity	UNITED TECHNOLOGIES CORP	0.64%	9.67%	0.06%	2.25%	0.01%
UNH UN Equity	UNITEDHEALTH GROUP INC	0.37%	11.26%	0.04%	0.04%	0.00%
UNM UN Equity	UNUM GROUP	0.07%	6.25%	0.00%	1.54%	0.00%
URBN UW Equity	URBAN OUTFITTERS INC	0.06%	20.00%	0.01%	0.00%	0.00%
USB UN Equity	US BANCORP	0.46%	6.50%	0.03%	1.18%	0.01%
X UN Equity	UNITED STATES STEEL CORP	0.08%	7.50%	0.01%	0.35%	0.00%
VLO UN Equity	VALERO ENERGY CORP	0.10%	6.00%	0.01%	1.52%	0.00%
VAR UN Equity	VARIAN MEDICAL SYSTEMS INC	0.06%	13.25%	0.01%	0.00%	0.00%
VTR UN Equity	VENTAS INC	0.07%	4.60%	0.00%	4.79%	0.00%
VRSN UW Equity	VERISIGN INC	0.05%	13.79%	0.01%	0.00%	0.00%
VZ UN Equity	VERIZON COMMUNICATIONS INC	0.80%	4.59%	0.04%	6.59%	0.05%
VFC UN Equity	VF CORP	0.08%	9.60%	0.01%	3.08%	0.00%
VIA/B UN Equity	VIACOM INC-CLASS B	0.16%	7.97%	0.01%	0.00%	0.00%
V UN Equity	VISA INC CLASS A SHARES	0.39%	20.37%	0.08%	0.57%	0.00%
VNO UN Equity	VORNADO REALTY TRUST	0.12%	7.84%	0.01%	3.89%	0.00%
VMC UN Equity	VULCAN MATERIALS CO	0.05%	13.60%	0.01%	2.27%	0.00%
WMT UN Equity	WAL-MART STORES INC	1.98%	10.59%	0.21%	2.18%	0.04%
WAG UN Equity	WALGREEN CO	0.33%	14.44%	0.05%	1.59%	0.01%
DIS UN Equity	WALT DISNEY CO/THE	0.61%	9.37%	0.06%	1.15%	0.01%
WPO UN Equity	WASHINGTON POST-CLASS B	0.03%	No Long-Term Growth		0.00%	0.00%
WM UN Equity	WASTE MANAGEMENT INC	0.16%	8.20%	0.01%	3.75%	0.01%
WAT UN Equity	WATERS CORP	0.06%	15.37%	0.01%	0.00%	0.00%
WPI UN Equity	WATSON PHARMACEUTICALS INC	0.05%	9.34%	0.00%	0.00%	0.00%
WLP UN Equity	WELLPOINT INC	0.26%	11.67%	0.03%	0.00%	0.00%
WFC UN Equity	WELLS FARGO & CO	1.42%	6.40%	0.09%	0.72%	0.01%
WDC UN Equity	WESTERN DIGITAL CORP	0.09%	8.00%	0.01%	0.00%	0.00%
WU UN Equity	WESTERN UNION CO	0.10%	12.33%	0.01%	1.49%	0.00%
WY UN Equity	WEYERHAEUSER CO	0.09%	4.00%	0.00%	0.96%	0.00%
WHR UN Equity	WHIRLPOOL CORP	0.06%	15.00%	0.01%	2.00%	0.00%
WFMI UW Equity	WHOLE FOODS MARKET INC	0.06%	14.80%	0.01%	0.00%	0.00%
WMB UN Equity	WILLIAMS COS INC	0.13%	12.50%	0.02%	2.00%	0.00%
WIN UW Equity	WINDSTREAM CORP	0.05%	No Long-Term Growth		9.72%	0.00%
WEC UN Equity	WISCONSIN ENERGY CORP	0.06%	8.90%	0.00%	3.17%	0.00%
GWW UN Equity	WW GRAINGER INC	0.07%	13.35%	0.01%	1.81%	0.00%
WYN UN Equity	WYNDHAM WORLDWIDE CORP	0.04%	No Long-Term Growth		2.05%	0.00%
WYNN UW Equity	WYNN RESORTS LTD	0.08%	No Long-Term Growth		0.24%	0.00%
XEL UN Equity	XCEL ENERGY INC	0.09%	5.41%	0.01%	4.81%	0.00%
XRX UN Equity	XEROX CORP	0.13%	2.00%	0.00%	1.88%	0.00%
XLNX UW Equity	XILINX INC	0.07%	16.67%	0.01%	2.32%	0.00%
XL UN Equity	XL CAPITAL LTD -CLASS A	0.06%	No Long-Term Growth		2.11%	0.00%
XTO UN Equity	XTO ENERGY INC	0.26%	13.00%	0.03%	1.10%	0.00%
YHOO UW Equity	YAHOO! INC	0.21%	13.23%	0.03%	0.00%	0.00%
YUM UN Equity	YUM! BRANDS INC	0.15%	11.54%	0.02%	2.66%	0.00%
ZMH UN Equity	ZIMMER HOLDINGS INC	0.12%	9.76%	0.01%	0.00%	0.00%
ZION UW Equity	ZIONS BANCORPORATION	0.03%	8.20%	0.00%	0.26%	0.00%

BETA ANALYSIS

		AEP			CNL			DPL			DUK	
Date	Price	Weekly Return	Covar.	Price	Weekly Return	Covar.	Price	Weekly Return	Covar.	Price	Weekly Return	Covar.
2/26/2010	33.62	-1.03%	0.034%	25.24	-3.88%	0.031%	26.54	-2.71%	0.036%	16.35	-1.57%	0.018%
2/19/2010	33.97	3.10%	0.034%	26.26	5.12%	0.030%	27.28	2.13%	0.035%	16.61	2.85%	0.017%
2/12/2010	32.95	-2.05%	0.031%	24.98	0.08%	0.026%	26.71	0.45%	0.035%	16.15	-1.04%	0.016%
2/5/2010	33.64	-2.91%	0.032%	24.96	-3.70%	0.026%	26.59	-0.93%	0.035%	16.32	-1.27%	0.016%
1/29/2010	34.65	-2.17%	0.031%	25.92	0.39%	0.027%	26.84	-1.36%	0.036%	16.53	-0.12%	0.017%
1/22/2010	35.42	-1.64%	0.029%	25.82	-3.48%	0.027%	27.21	-3.92%	0.034%	16.55	-2.07%	0.016%
1/15/2010	36.01	1.12%	0.029%	26.75	0.15%	0.027%	28.32	1.29%	0.029%	16.90	0.36%	0.018%
1/8/2010	35.61	2.36%	0.038%	26.71	-2.27%	0.033%	27.96	1.30%	0.037%	16.84	-2.15%	0.023%
1/1/2010	34.79	-0.94%	0.037%	27.33	-1.51%	0.037%	27.60	-0.36%	0.038%	17.21	-0.35%	0.026%
12/25/2009	35.12	0.11%	0.038%	27.75	2.25%	0.034%	27.70	-0.72%	0.039%	17.27	-0.69%	0.026%
12/18/2009	35.08	-1.41%	0.039%	27.14	1.65%	0.035%	27.90	-2.72%	0.040%	17.39	-2.36%	0.027%
12/11/2009	35.58	5.30%	0.037%	26.70	1.68%	0.036%	28.68	1.45%	0.037%	17.81	3.91%	0.029%
12/4/2009	33.79	7.10%	0.038%	26.26	2.98%	0.036%	28.27	4.90%	0.038%	17.14	2.70%	0.030%
11/27/2009	31.55	0.90%	0.037%	25.50	0.39%	0.037%	26.95	0.00%	0.037%	16.69	2.90%	0.029%
11/20/2009	31.27	-1.11%	0.042%	25.40	1.07%	0.038%	26.95	-2.25%	0.038%	16.22	1.12%	0.033%
11/13/2009	31.62	1.90%	0.041%	25.13	2.24%	0.039%	27.57	1.92%	0.037%	16.04	-0.06%	0.033%
11/6/2009	31.03	2.68%	0.052%	24.58	-0.69%	0.044%	27.05	6.75%	0.052%	16.05	1.45%	0.045%
10/30/2009	30.22	-1.91%	0.043%	24.75	-0.92%	0.044%	25.34	-0.94%	0.046%	15.82	-1.74%	0.044%
10/23/2009	30.81	-1.97%	0.039%	24.98	-1.89%	0.041%	25.58	-2.25%	0.043%	16.10	1.96%	0.040%
10/16/2009	31.43	2.34%	0.040%	25.46	-0.43%	0.042%	26.17	0.42%	0.043%	15.79	1.22%	0.042%
10/9/2009	30.71	1.12%	0.040%	25.57	4.58%	0.042%	26.06	2.60%	0.043%	15.60	1.43%	0.041%
10/2/2009	30.37	-1.97%	0.039%	24.45	-1.93%	0.036%	25.40	-3.16%	0.040%	15.38	-2.84%	0.039%
9/25/2009	30.98	-3.37%	0.036%	24.93	-1.03%	0.033%	26.23	-0.57%	0.037%	15.83	-0.81%	0.034%
9/18/2009	32.06	4.46%	0.020%	25.19	2.94%	0.038%	26.38	5.06%	0.037%	15.96	3.43%	0.033%
9/11/2009	30.69	-0.97%	0.020%	24.47	0.87%	0.038%	25.11	-0.55%	0.036%	15.43	-0.58%	0.033%
9/4/2009	30.99	-2.73%	0.024%	24.26	-1.06%	0.023%	25.25	1.32%	0.043%	15.52	-0.58%	0.051%
8/28/2009	31.86	1.17%	0.060%	24.52	-1.68%	0.018%	24.92	-0.28%	0.043%	15.61	0.00%	0.084%
8/21/2009	31.49	1.22%	0.072%	24.94	2.00%	0.011%	24.99	2.29%	0.041%	15.61	1.50%	0.096%
8/14/2009	31.11	-0.26%	0.095%	24.45	-0.37%	0.040%	24.43	-0.29%	0.067%	15.38	-1.85%	0.109%
8/7/2009	31.19	0.74%	0.104%	24.54	3.59%	0.052%	24.50	2.30%	0.077%	15.67	1.23%	0.121%
7/31/2009	30.96	0.06%	0.113%	23.69	-1.04%	0.052%	23.95	-1.80%	0.083%	15.48	0.58%	0.126%
7/24/2009	30.94	3.83%	0.114%	23.94	5.84%	0.050%	24.39	2.26%	0.084%	15.39	4.48%	0.125%
7/17/2009	29.80	4.45%	0.111%	22.62	3.19%	0.045%	23.85	4.10%	0.084%	14.73	2.86%	0.120%
7/10/2009	28.53	0.88%	0.098%	21.92	-1.39%	0.036%	22.91	-1.12%	0.076%	14.32	-0.56%	0.115%
7/3/2009	28.28	-1.15%	0.106%	22.23	1.93%	0.044%	23.17	-0.56%	0.083%	14.40	-0.07%	0.116%
6/26/2009	28.61	0.85%	0.121%	21.81	-2.20%	0.062%	23.30	2.10%	0.097%	14.41	0.00%	0.131%
6/19/2009	28.37	1.32%	0.121%	22.30	0.22%	0.062%	22.82	1.42%	0.096%	14.41	-1.77%	0.132%
6/12/2009	28.00	4.46%	0.124%	22.25	4.46%	0.062%	22.50	1.86%	0.098%	14.67	3.82%	0.130%
6/5/2009	26.80	1.75%	0.124%	21.30	4.11%	0.062%	22.09	1.52%	0.098%	14.13	-0.14%	0.130%
5/29/2009	26.34	4.73%	0.126%	20.46	1.84%	0.064%	21.76	2.45%	0.096%	14.15	3.36%	0.133%
5/22/2009	25.15	0.84%	0.157%	20.09	-3.32%	0.091%	21.24	-0.28%	0.120%	13.69	1.56%	0.145%
5/15/2009	24.94	-4.63%	0.176%	20.78	-2.21%	0.081%	21.30	-6.13%	0.138%	13.48	-4.94%	0.157%
5/8/2009	26.15	-2.93%	0.166%	21.25	-0.23%	0.074%	22.69	0.53%	0.141%	14.18	0.50%	0.156%
5/1/2009	26.94	2.98%	0.179%	21.30	-0.47%	0.085%	22.57	1.12%	0.145%	14.11	2.62%	0.154%
4/24/2009	26.16	-4.28%	0.201%	21.40	-4.25%	0.126%	22.32	-2.83%	0.159%	13.75	0.07%	0.174%
4/17/2009	27.33	3.52%	0.194%	22.35	0.27%	0.128%	22.97	0.97%	0.156%	13.74	-1.58%	0.165%
4/10/2009	26.40	0.38%	0.207%	22.29	0.00%	0.133%	22.75	-1.04%	0.158%	13.96	-1.62%	0.175%
4/3/2009	26.30	0.11%	0.348%	22.29	-0.09%	0.254%	22.99	2.09%	0.226%	14.19	-0.70%	0.289%
3/27/2009	26.27	-4.72%	0.357%	22.31	4.40%	0.263%	22.52	1.21%	0.240%	14.29	0.49%	0.299%
3/20/2009	27.57	9.19%	0.369%	21.37	6.21%	0.251%	22.25	6.97%	0.237%	14.22	10.58%	0.295%
3/13/2009	25.25	1.77%	0.355%	20.12	-3.55%	0.247%	20.80	2.56%	0.236%	12.86	5.84%	0.280%
3/6/2009	24.81	-11.55%	0.346%	20.86	1.66%	0.266%	20.28	0.90%	0.220%	12.15	-9.80%	0.253%
2/27/2009	28.05	-4.79%	0.327%	20.52	3.27%	0.271%	20.10	1.72%	0.224%	13.47	-4.87%	0.236%
2/20/2009	29.46	-7.39%	0.323%	19.87	-9.02%	0.275%	19.76	-8.14%	0.227%	14.16	-3.93%	0.231%
2/13/2009	31.81	-4.24%	0.311%	21.84	-5.58%	0.258%	21.51	-4.65%	0.212%	14.74	-5.99%	0.225%
2/6/2009	33.22	5.96%	0.305%	23.13	1.23%	0.253%	22.56	4.69%	0.206%	15.68	3.50%	0.217%
1/30/2009	31.35	-1.85%	0.291%	22.85	4.58%	0.254%	21.55	-0.28%	0.192%	15.15	1.68%	0.217%
1/23/2009	31.94	-1.72%	0.290%	21.85	-2.28%	0.254%	21.61	-1.82%	0.192%	14.90	-0.80%	0.217%
1/16/2009	32.50	-0.34%	0.291%	22.36	0.63%	0.255%	22.01	-0.77%	0.189%	15.02	-1.64%	0.216%
1/9/2009	32.61	-4.09%	0.290%	22.22	-5.57%	0.252%	22.18	-4.73%	0.190%	15.27	-0.84%	0.215%
1/2/2009	34.00	5.99%	0.284%	23.53	6.28%	0.243%	23.28	5.96%	0.183%	15.40	5.84%	0.214%
12/26/2008	32.08	0.53%	0.265%	22.14	0.05%	0.224%	21.97	2.14%	0.164%	14.55	-0.89%	0.195%
12/19/2008	31.91	6.97%	0.267%	22.13	3.22%	0.228%	21.51	2.48%	0.167%	14.68	0.41%	0.197%
12/12/2008	29.83	-0.27%	0.262%	21.44	-3.60%	0.224%	20.99	0.00%	0.164%	14.62	-2.14%	0.197%
12/5/2008	29.91	-4.41%	0.283%	22.24	-5.64%	0.227%	20.99	0.82%	0.165%	14.94	-3.98%	0.200%
11/28/2008	31.29	7.86%	0.262%	23.57	6.27%	0.227%	20.82	6.22%	0.166%	15.56	3.46%	0.201%
11/21/2008	29.01	-6.27%	0.216%	22.18	2.69%	0.196%	19.60	-5.08%	0.128%	15.04	-3.84%	0.182%
11/14/2008	30.95	0.26%	0.205%	21.60	1.31%	0.204%	20.65	-5.88%	0.116%	15.64	-3.75%	0.175%
11/7/2008	30.87	-5.39%	0.207%	21.32	-7.34%	0.210%	21.94	-3.81%	0.108%	16.25	-0.79%	0.170%
10/31/2008	32.63	5.33%	0.203%	23.01	10.10%	0.203%	22.81	3.45%	0.105%	16.38	4.80%	0.170%
10/24/2008	30.98	2.08%	0.177%	20.90	-0.62%	0.157%	22.05	0.87%	0.090%	15.63	3.17%	0.149%
10/17/2008	30.35	8.39%	0.184%	21.03	3.14%	0.157%	21.86	1.44%	0.093%	15.15	4.99%	0.158%
10/10/2008	28.00	-21.22%	0.167%	20.39	-17.58%	0.165%	21.55	-9.61%	0.090%	14.43	-16.88%	0.149%
10/3/2008	35.54	-4.36%	0.032%	24.74	-3.02%	0.049%	23.84	-5.92%	0.027%	17.36	-3.72%	0.040%
9/26/2008	37.16	-2.67%	0.029%	25.51	-4.46%	0.042%	25.34	-2.50%	0.014%	18.03	0.33%	0.032%
9/19/2008	38.18	-2.40%	0.026%	26.70	5.58%	0.037%	25.99	10.36%	0.011%	17.97	-1.80%	0.033%
9/12/2008	39.12	4.46%	0.028%	25.29	3.82%	0.040%	23.55	-1.79%	0.011%	18.30	5.72%	0.039%
9/5/2008	37.45	-4.07%	0.027%	24.36	-3.37%	0.039%	23.98	-3.38%	0.011%	17.31	-0.75%	0.037%
8/29/2008	39.04	0.21%	0.023%	25.21	-1.68%	0.039%	24.82	1.47%	0.009%	17.44	-2.19%	0.038%
8/22/2008	38.96	1.14%	0.025%	25.64	-1.08%	0.042%	24.46	0.33%	0.011%	17.83	0.28%	0.040%
8/15/2008	38.52	-1.48%	0.025%	25.92	1.57%	0.041%	24.38	-1.93%	0.011%	17.78	-2.20%	0.040%
8/8/2008	39.10	0.85%	0.025%	25.52	2.90%	0.039%	24.86	-1.07%	0.010%	18.18	5.88%	0.039%
8/1/2008	38.77	-2.24%	0.026%	24.80	1.39%	0.039%	25.13	-0.55%	0.013%	17.17	-0.12%	0.036%
7/25/2008	39.66	0.48%	0.039%	24.46	3.95%	0.047%	25.27	-5.18%	0.020%	17.19	-1.09%	0.047%
7/18/2008	39.47	-1.62%		23.53	-3.96%		26.65	-0.26%		17.38	-0.11%	
7/11/2008	40.12	1.42%		24.50	3.11%		26.72	2.10%		17.40	1.69%	
7/4/2008	39.56	-0.05%		23.76	1.63%		26.17	-0.15%		17.11	0.23%	
6/27/2008	39.58	-4.26%		23.38	-5.54%		26.21	-4.83%		17.07	-3.40%	
6/20/2008	41.34	-3.39%		24.75	0.08%		27.54	-1.96%		17.67	-2.64%	
6/13/2008	42.79	1.98%		24.73	0.98%		28.09	1.48%		18.15	2.60%	
6/6/2008	41.96	-0.87%		24.49	-1.96%		27.68	-2.60%		17.69	-4.27%	
5/30/2008	42.33	0.47%		24.98	1.92%		28.42	-0.39%		18.48	1.48%	
5/23/2008	42.13	-2.95%		24.51	-1.37%		28.53	1.86%		18.21	-1.78%	
5/16/2008	43.41	-1.05%		24.85	1.39%		28.01	-0.95%		18.54	0.43%	
5/9/2008	43.87	-2.71%		24.51	-0.12%		28.28	-0.63%		18.46	-2.78%	
5/2/2008	45.09	1.83%		24.54	1.70%		28.46	3.45%		18.99	2.82%	
4/25/2008	44.28	-0.87%		24.13	-0.12%		27.51	-0.47%		18.47	0.44%	
4/18/2008	44.67	1.13%		24.16	6.90%		27.64	0.11%		18.39	1.16%	
4/11/2008	44.17	2.96%		22.60	0.22%		27.61	5.42%		18.18	0.33%	
4/4/2008	42.90	4.71%		22.55	3.20%		26.19	3.56%		18.12	2.32%	
3/28/2008	40.97	0.34%		21.85	-4.38%		25.29	0.20%		17.71	-2.91%	
3/21/2008	40.83	1.49%		22.85	3.16%		25.24	1.00%		18.24	4.23%	
3/14/2008	40.23	-1.01%		22.15	0.82%		24.99	0.08%		17.50	2.10%	
3/7/2008	40.64	-0.68%		21.97	-4.10%		24.97	-2.12%		17.14	-2.28%	
2/29/2008	40.92	-3.26%		22.91	-5.45%		25.51	-2.86%		17.54	-3.73%	
2/22/2008	42.30	-1.86%		24.23	-1.06%		26.26	-1.43%		18.22	0.77%	
2/15/2008	43.10	-0.14%		24.49	-3.96%		26.64	-3.09%		18.08	-1.69%	
2/8/2008	43.16	-1.82%		25.50	-1.92%		27.49	-1.66%		18.39	-2.65%	
2/1/2008	43.96	6.36%		26.00	4.21%		28.01	3.02%		18.89	5.24%	
1/25/2008	41.33			24.95			27.19			17.95		

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Date	Price	IDA Weekly Return	Covar.	Price	NU Weekly Return	Covar.	Price	POR Weekly Return	Covar.
2/26/2010	33.03	0.03%	0.034%	25.60	-4.01%	0.029%	17.99	-6.74%	0.044%
2/19/2010	33.02	4.00%	0.034%	26.67	6.13%	0.028%	19.29	1.63%	0.042%
2/12/2010	31.75	4.06%	0.032%	25.13	-0.04%	0.023%	18.98	-0.37%	0.043%
2/5/2010	30.51	-2.68%	0.031%	25.14	-0.71%	0.023%	19.05	-2.31%	0.042%
1/29/2010	31.35	-0.60%	0.031%	25.32	-0.55%	0.023%	19.50	-1.56%	0.039%
1/22/2010	31.54	-3.04%	0.030%	25.46	-1.89%	0.022%	19.81	-2.75%	0.038%
1/15/2010	32.53	0.71%	0.028%	25.95	-0.35%	0.023%	20.37	1.85%	0.026%
1/8/2010	32.30	1.10%	0.035%	26.04	0.97%	0.029%	20.00	-2.01%	0.035%
1/1/2010	31.95	-2.08%	0.039%	25.79	-1.68%	0.034%	20.41	-1.50%	0.037%
12/25/2009	32.63	2.97%	0.040%	26.23	0.61%	0.032%	20.72	-0.53%	0.039%
12/18/2009	31.69	1.64%	0.038%	26.07	2.24%	0.032%	20.83	-1.79%	0.040%
12/11/2009	31.18	2.90%	0.038%	25.50	3.66%	0.034%	21.21	3.56%	0.035%
12/4/2009	30.30	2.54%	0.039%	24.60	2.50%	0.035%	20.48	5.79%	0.036%
11/27/2009	29.55	0.34%	0.041%	24.00	0.21%	0.035%	19.36	-0.15%	0.037%
11/20/2009	29.45	1.13%	0.044%	23.95	1.01%	0.038%	19.39	0.78%	0.040%
11/13/2009	29.12	1.08%	0.044%	23.71	2.64%	0.038%	19.24	1.21%	0.040%
11/6/2009	28.81	2.56%	0.060%	23.10	0.22%	0.044%	19.01	2.26%	0.057%
10/30/2009	28.09	-2.43%	0.057%	23.05	-0.13%	0.040%	18.59	-6.77%	0.052%
10/23/2009	28.79	-0.42%	0.052%	23.08	-2.29%	0.040%	19.94	-1.34%	0.041%
10/16/2009	28.91	-1.06%	0.053%	23.62	0.51%	0.041%	20.21	0.30%	0.041%
10/9/2009	29.22	3.14%	0.053%	23.50	1.91%	0.040%	20.15	4.51%	0.040%
10/2/2009	28.33	-0.74%	0.049%	23.06	-3.23%	0.039%	19.28	-3.65%	0.034%
9/25/2009	28.54	-1.35%	0.047%	23.83	-2.62%	0.032%	20.01	-3.80%	0.032%
9/18/2009	28.93	2.88%	0.042%	24.47	3.34%	0.027%	20.80	3.69%	0.016%
9/11/2009	28.12	-0.32%	0.042%	23.68	-0.17%	0.027%	20.06	2.09%	0.016%
9/4/2009	28.21	-2.69%	0.046%	23.72	-1.29%	0.023%	19.65	0.10%	0.028%
8/28/2009	28.99	-0.41%	0.080%	24.03	-1.15%	0.051%	19.63	-0.56%	0.036%
8/21/2009	29.11	3.34%	0.080%	24.31	2.49%	0.053%	19.74	3.35%	0.042%
8/14/2009	28.17	0.00%	0.111%	23.72	1.45%	0.078%	19.10	2.85%	0.067%
8/7/2009	28.17	1.62%	0.125%	23.38	1.61%	0.086%	18.57	-2.42%	0.083%
7/31/2009	27.72	2.63%	0.123%	23.01	0.04%	0.094%	19.03	1.71%	0.086%
7/24/2009	27.01	3.88%	0.122%	23.00	4.12%	0.093%	18.71	-5.27%	0.084%
7/17/2009	26.00	4.08%	0.116%	22.09	3.32%	0.089%	19.75	3.57%	0.092%
7/10/2009	24.98	-2.57%	0.105%	21.38	-4.30%	0.087%	19.07	-1.04%	0.083%
7/3/2009	25.64	-1.38%	0.101%	22.34	0.99%	0.079%	19.27	-1.73%	0.089%
6/26/2009	26.00	2.20%	0.103%	22.12	0.68%	0.093%	19.61	-1.26%	0.099%
6/19/2009	25.44	0.79%	0.105%	21.97	-0.68%	0.091%	19.86	3.55%	0.097%
6/12/2009	25.24	3.10%	0.107%	22.12	4.19%	0.090%	19.18	2.18%	0.100%
6/5/2009	24.48	5.20%	0.107%	21.23	2.12%	0.089%	18.77	4.34%	0.100%
5/29/2009	23.27	3.47%	0.104%	20.79	2.72%	0.090%	17.99	3.75%	0.094%
5/22/2009	22.49	0.54%	0.132%	20.24	-1.05%	0.098%	17.34	0.93%	0.129%
5/15/2009	22.37	-6.71%	0.137%	20.56	-2.92%	0.103%	17.18	-7.53%	0.144%
5/8/2009	23.98	-0.21%	0.116%	21.20	-1.76%	0.072%	18.58	-1.33%	0.146%
5/1/2009	24.03	4.39%	0.106%	21.58	6.62%	0.087%	18.83	9.92%	0.160%
4/24/2009	23.02	-2.87%	0.133%	20.24	-4.03%	0.119%	17.13	-1.55%	0.191%
4/17/2009	23.70	0.21%	0.131%	21.09	-1.91%	0.111%	17.40	-0.17%	0.186%
4/10/2009	23.65	-0.55%	0.136%	21.50	1.99%	0.121%	17.43	-1.02%	0.174%
4/3/2009	23.78	0.46%	0.238%	21.08	-2.86%	0.275%	17.61	2.44%	0.269%
3/27/2009	23.67	-0.42%	0.256%	21.70	0.09%	0.292%	17.19	-4.23%	0.268%
3/20/2009	23.77	7.17%	0.256%	21.68	8.94%	0.292%	17.95	6.78%	0.278%
3/13/2009	22.18	1.93%	0.249%	19.90	-0.50%	0.280%	16.81	4.41%	0.268%
3/6/2009	21.76	-10.60%	0.239%	20.00	-8.72%	0.282%	16.10	-1.95%	0.245%
2/27/2009	24.34	0.37%	0.220%	21.91	-0.68%	0.268%	16.42	-1.91%	0.246%
2/20/2009	24.25	-9.92%	0.220%	22.06	-8.16%	0.266%	16.74	-8.17%	0.246%
2/13/2009	26.92	-6.66%	0.201%	24.02	-3.73%	0.253%	18.23	-6.99%	0.233%
2/6/2009	28.84	-0.93%	0.196%	24.95	4.83%	0.246%	19.60	0.77%	0.227%
1/30/2009	29.11	0.55%	0.202%	23.80	1.84%	0.251%	19.45	4.35%	0.235%
1/23/2009	28.95	-1.90%	0.201%	23.37	-1.77%	0.250%	18.64	-0.69%	0.235%
1/16/2009	29.51	0.44%	0.201%	23.79	-4.42%	0.250%	18.77	0.70%	0.236%
1/9/2009	29.38	0.65%	0.199%	24.89	2.43%	0.240%	18.64	-4.16%	0.235%
1/2/2009	29.19	0.79%	0.198%	24.30	4.83%	0.242%	19.45	4.74%	0.228%
12/26/2008	28.96	-2.39%	0.196%	23.18	2.25%	0.227%	18.57	2.82%	0.213%
12/19/2008	29.67	2.17%	0.199%	22.67	-4.47%	0.230%	18.06	-0.93%	0.216%
12/12/2008	29.04	-1.56%	0.199%	23.73	4.77%	0.234%	18.23	-2.88%	0.216%
12/5/2008	29.50	-2.96%	0.201%	22.65	-2.79%	0.232%	18.77	2.51%	0.219%
11/28/2008	30.40	6.55%	0.199%	23.30	2.42%	0.232%	18.31	8.86%	0.219%
11/21/2008	28.53	-2.39%	0.165%	22.75	-1.81%	0.220%	16.82	-4.59%	0.167%
11/14/2008	29.23	3.03%	0.161%	23.17	10.28%	0.217%	17.63	-6.67%	0.159%
11/7/2008	28.37	6.41%	0.167%	21.01	-6.87%	0.232%	18.89	-7.94%	0.157%
10/31/2008	26.66	7.07%	0.175%	22.56	8.83%	0.226%	20.52	8.74%	0.151%
10/24/2008	24.90	0.48%	0.142%	20.73	3.08%	0.187%	18.87	1.02%	0.110%
10/17/2008	24.78	2.86%	0.145%	20.11	5.01%	0.196%	18.68	-7.93%	0.114%
10/10/2008	24.09	-15.06%	0.146%	19.15	-22.63%	0.190%	20.29	-14.57%	0.143%
10/3/2008	28.36	-7.14%	0.053%	24.75	-4.51%	0.044%	23.75	-2.50%	0.048%
9/26/2008	30.54	-2.74%	0.035%	25.92	-2.67%	0.039%	24.36	-2.56%	0.044%
9/19/2008	31.40	2.58%	0.033%	26.63	-0.89%	0.036%	25.00	-1.85%	0.042%
9/12/2008	30.61	3.34%	0.038%	26.87	3.39%	0.033%	25.47	4.26%	0.043%
9/5/2008	29.62	-0.60%	0.037%	25.99	-3.35%	0.032%	24.43	-4.64%	0.042%
8/29/2008	29.80	-2.30%	0.036%	26.89	-4.07%	0.031%	25.62	1.26%	0.040%
8/22/2008	30.50	-1.56%	0.038%	28.03	4.36%	0.034%	25.30	-0.20%	0.040%
8/15/2008	30.99	2.62%	0.037%	26.86	-0.11%	0.034%	25.35	2.01%	0.039%
8/8/2008	30.20	2.86%	0.037%	26.89	9.04%	0.035%	24.85	6.52%	0.039%
8/1/2008	29.36	-1.41%	0.039%	24.66	-0.56%	0.028%	23.33	1.35%	0.034%
7/25/2008	29.78	1.64%	0.045%	24.80	0.81%	0.030%	23.02	2.04%	0.044%
7/18/2008	29.30	-2.14%		24.60	-3.91%		22.56	-3.28%	
7/11/2008	29.94	5.83%		25.60	2.44%		23.32	4.76%	
7/4/2008	28.29	-3.08%		24.99	-2.15%		22.26	-1.94%	
6/27/2008	29.19	-5.96%		25.54	-3.62%		22.70	-5.38%	
6/20/2008	31.04	-2.60%		26.50	-1.27%		23.99	-0.08%	
6/13/2008	31.87	1.46%		26.84	3.03%		24.01	2.26%	
6/6/2008	31.41	2.45%		26.05	-0.23%		23.48	0.30%	
5/30/2008	30.66	0.72%		26.11	1.60%		23.41	-0.76%	
5/23/2008	30.44	-2.90%		25.70	-2.50%		23.59	-1.91%	
5/16/2008	31.35	0.32%		26.36	-3.37%		24.05	4.20%	
5/9/2008	31.25	-5.33%		27.28	-1.66%		23.08	-5.68%	
5/2/2008	33.01	2.71%		27.74	4.01%		24.47	1.83%	
4/25/2008	32.14	-1.05%		26.67	0.45%		24.03	-0.70%	
4/18/2008	32.48	3.37%		26.55	2.71%		24.20	4.94%	
4/11/2008	31.42	-2.87%		25.85	0.90%		23.06	0.04%	
4/4/2008	32.35	2.70%		25.62	6.09%		23.05	3.60%	
3/28/2008	31.50	-3.90%		24.15	-1.02%		22.25	-2.28%	
3/21/2008	32.78	4.49%		24.40	-2.01%		22.77	1.52%	
3/14/2008	31.37	5.69%		24.90	0.57%		22.43	-0.75%	
3/7/2008	29.68	-0.40%		24.76	-2.40%		22.60	-3.13%	
2/29/2008	29.80	-3.25%		25.37	-6.45%		23.33	0.43%	
2/22/2008	30.80	-2.10%		27.12	-2.41%		23.23	-3.25%	
2/15/2008	31.46	-0.06%		27.79	2.06%		24.01	-0.66%	
2/8/2008	31.48	-3.41%		27.23	-2.68%		24.17	-1.95%	
2/1/2008	32.59	2.61%		27.98	0.29%		24.65	4.76%	
1/25/2008	31.76			27.90			23.53		

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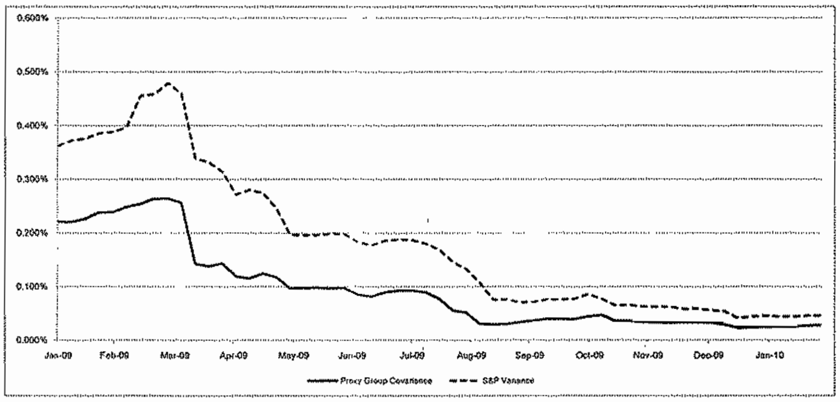
Date	Price	PGN Weekly Return	Covar.	Price	SO Weekly Return	Covar.	Price	SPX Weekly Return	&P Variance	Average Proxy Group up Covariance	Raw Beta	Adj. Beta
2/26/2010	38.29	-0.60%	0.006%	31.77	-1.61%	0.021%	1,104.49	-0.42%	0.040%	0.028%	0.611	0.741
2/19/2010	38.52	3.24%	0.005%	32.29	3.59%	0.021%	1,109.17	3.13%	0.046%	0.027%	0.598	0.732
2/12/2010	37.31	-3.74%	0.002%	31.17	-1.67%	0.017%	1,075.51	0.87%	0.044%	0.025%	0.564	0.709
2/5/2010	38.76	-0.54%	0.002%	31.70	-0.94%	0.018%	1,066.19	-0.72%	0.044%	0.025%	0.565	0.710
1/29/2010	38.97	1.17%	0.001%	32.00	-1.66%	0.017%	1,073.87	-1.64%	0.045%	0.025%	0.545	0.696
1/22/2010	38.52	-1.05%	0.002%	32.54	-2.40%	0.015%	1,091.76	-3.90%	0.044%	0.024%	0.543	0.695
1/15/2010	38.93	-1.09%	0.009%	33.34	1.55%	0.016%	1,136.03	-0.78%	0.041%	0.023%	0.553	0.702
1/8/2010	39.36	-4.02%	0.015%	32.83	-1.47%	0.022%	1,144.98	2.68%	0.054%	0.030%	0.545	0.697
1/1/2010	41.01	-0.85%	0.022%	33.32	-0.39%	0.025%	1,115.10	-1.01%	0.056%	0.033%	0.585	0.723
12/25/2009	41.36	0.39%	0.023%	33.45	-1.01%	0.028%	1,126.48	2.16%	0.059%	0.033%	0.563	0.709
12/18/2009	41.20	-1.86%	0.022%	33.79	-1.26%	0.027%	1,102.47	-0.36%	0.059%	0.033%	0.566	0.711
12/11/2009	41.98	3.63%	0.023%	34.22	4.23%	0.027%	1,106.41	0.04%	0.062%	0.033%	0.528	0.685
12/4/2009	40.51	4.41%	0.024%	32.83	3.86%	0.028%	1,105.98	1.33%	0.062%	0.034%	0.539	0.693
11/27/2009	38.80	0.75%	0.023%	31.61	0.67%	0.028%	1,091.49	0.01%	0.063%	0.034%	0.535	0.690
11/20/2009	38.51	1.08%	0.026%	31.40	-0.57%	0.030%	1,091.38	-0.19%	0.066%	0.036%	0.551	0.701
11/13/2009	38.10	1.28%	0.026%	31.58	-0.03%	0.030%	1,093.48	2.26%	0.066%	0.036%	0.553	0.702
11/6/2009	37.62	0.24%	0.035%	31.59	1.28%	0.036%	1,069.30	3.20%	0.077%	0.047%	0.611	0.741
10/30/2009	37.53	-0.40%	0.037%	31.19	-4.53%	0.034%	1,036.19	-4.02%	0.085%	0.044%	0.515	0.677
10/23/2009	37.68	-1.85%	0.036%	32.67	0.52%	0.024%	1,079.60	-0.74%	0.077%	0.040%	0.516	0.677
10/16/2009	38.39	2.51%	0.036%	32.50	2.07%	0.025%	1,087.68	1.51%	0.076%	0.040%	0.525	0.683
10/9/2009	37.45	-1.89%	0.035%	31.84	0.35%	0.023%	1,071.49	4.51%	0.076%	0.040%	0.521	0.681
10/2/2009	38.17	-3.07%	0.037%	31.73	-0.53%	0.023%	1,025.21	-1.84%	0.071%	0.037%	0.523	0.682
9/25/2009	39.38	0.69%	0.033%	31.90	-0.41%	0.024%	1,044.38	-2.24%	0.071%	0.034%	0.484	0.656
9/18/2009	39.11	1.09%	0.036%	32.03	3.22%	0.022%	1,068.30	2.45%	0.076%	0.030%	0.399	0.600
9/11/2009	38.69	-1.45%	0.037%	31.03	-1.24%	0.022%	1,042.73	2.59%	0.075%	0.030%	0.398	0.599
9/4/2009	39.26	-0.83%	0.033%	31.42	-0.51%	0.010%	1,016.40	-1.22%	0.108%	0.031%	0.288	0.525
8/28/2009	39.59	0.35%	0.060%	31.58	0.22%	0.034%	1,028.93	0.27%	0.133%	0.052%	0.390	0.594
8/21/2009	39.45	-0.48%	0.071%	31.51	0.13%	0.034%	1,026.13	2.20%	0.146%	0.056%	0.382	0.588
8/14/2009	39.64	1.05%	0.085%	31.47	-0.13%	0.046%	1,004.09	-0.63%	0.169%	0.077%	0.458	0.639
8/7/2009	39.23	-0.53%	0.093%	31.51	0.35%	0.060%	1,010.48	2.33%	0.180%	0.089%	0.495	0.663
7/31/2009	39.44	-0.70%	0.100%	31.40	-3.77%	0.061%	987.48	0.84%	0.187%	0.093%	0.498	0.666
7/24/2009	39.72	6.20%	0.101%	32.63	3.65%	0.063%	979.26	4.13%	0.188%	0.093%	0.494	0.663
7/17/2009	37.40	3.34%	0.089%	31.48	2.54%	0.058%	940.38	6.97%	0.186%	0.090%	0.482	0.655
7/10/2009	36.19	-3.18%	0.080%	30.70	-1.00%	0.053%	879.13	-1.93%	0.177%	0.081%	0.459	0.639
7/3/2009	37.38	-1.01%	0.089%	31.01	-2.79%	0.060%	896.42	-2.45%	0.183%	0.085%	0.465	0.643
6/26/2009	37.76	2.25%	0.101%	31.90	4.21%	0.070%	918.90	-0.25%	0.198%	0.097%	0.493	0.662
6/19/2009	36.93	-0.86%	0.101%	30.61	0.20%	0.070%	921.23	-2.64%	0.199%	0.097%	0.488	0.659
6/12/2009	37.25	4.40%	0.100%	30.55	5.67%	0.071%	946.21	0.65%	0.196%	0.098%	0.500	0.667
6/5/2009	35.68	0.48%	0.100%	28.91	1.76%	0.070%	940.09	2.28%	0.196%	0.098%	0.498	0.666
5/29/2009	35.51	3.08%	0.098%	28.41	2.56%	0.066%	919.14	3.62%	0.197%	0.097%	0.492	0.661
5/22/2009	34.45	1.12%	0.110%	27.70	-1.49%	0.075%	887.00	0.47%	0.245%	0.118%	0.479	0.653
5/15/2009	34.07	-3.87%	0.112%	28.12	-2.23%	0.068%	882.88	-4.99%	0.274%	0.124%	0.453	0.635
5/8/2009	35.44	1.23%	0.109%	28.76	-0.21%	0.061%	929.23	5.89%	0.280%	0.116%	0.413	0.609
5/1/2009	35.01	3.27%	0.104%	28.82	-2.17%	0.057%	877.52	1.30%	0.272%	0.120%	0.440	0.627
4/24/2009	33.90	-2.53%	0.129%	29.46	-0.61%	0.057%	866.23	-0.39%	0.314%	0.143%	0.456	0.637
4/17/2009	34.78	-1.17%	0.121%	29.64	-4.05%	0.047%	869.60	1.52%	0.332%	0.138%	0.416	0.611
4/10/2009	35.19	-1.79%	0.125%	30.89	-0.61%	0.056%	856.56	1.67%	0.339%	0.143%	0.421	0.614
4/3/2009	35.83	-0.61%	0.264%	31.08	1.67%	0.144%	842.50	3.26%	0.459%	0.256%	0.558	0.705
3/27/2009	36.05	2.07%	0.257%	30.57	-0.03%	0.151%	815.94	6.17%	0.479%	0.265%	0.553	0.702
3/20/2009	35.32	9.21%	0.249%	30.58	12.68%	0.147%	768.54	1.58%	0.458%	0.264%	0.576	0.717
3/13/2009	32.34	-0.68%	0.238%	27.14	-3.24%	0.132%	756.55	10.71%	0.455%	0.254%	0.557	0.705
3/6/2009	32.56	-8.07%	0.242%	28.05	-7.46%	0.146%	683.38	-7.03%	0.397%	0.249%	0.628	0.751
2/27/2009	35.42	-4.71%	0.229%	30.31	0.46%	0.133%	735.09	-4.54%	0.388%	0.239%	0.617	0.745
2/20/2009	37.17	-4.30%	0.224%	30.17	-3.89%	0.134%	770.05	-6.87%	0.386%	0.239%	0.619	0.746
2/13/2009	38.84	-3.31%	0.217%	31.39	-6.55%	0.129%	826.84	-4.81%	0.376%	0.227%	0.603	0.735
2/6/2009	40.17	3.74%	0.214%	33.59	0.42%	0.123%	868.60	5.17%	0.372%	0.221%	0.593	0.729
1/30/2009	38.72	-1.22%	0.216%	33.45	-3.46%	0.131%	825.88	-0.73%	0.363%	0.221%	0.609	0.740
1/23/2009	39.20	2.94%	0.217%	34.65	-1.08%	0.131%	831.95	-2.14%	0.363%	0.221%	0.607	0.738
1/16/2009	38.08	0.03%	0.218%	35.03	-1.41%	0.131%	850.12	-4.52%	0.364%	0.221%	0.607	0.738
1/9/2009	38.07	-6.35%	0.217%	35.53	-5.18%	0.125%	890.35	-4.45%	0.363%	0.218%	0.601	0.734
1/2/2009	40.65	4.90%	0.208%	37.47	4.17%	0.118%	931.80	6.76%	0.358%	0.213%	0.595	0.730
12/26/2008	38.75	-0.36%	0.193%	35.97	0.36%	0.106%	872.80	-1.70%	0.334%	0.198%	0.592	0.728
12/19/2008	38.89	-1.72%	0.194%	35.84	-1.38%	0.106%	887.88	0.93%	0.336%	0.200%	0.597	0.732
12/12/2008	39.57	-0.73%	0.197%	36.34	-1.49%	0.109%	879.73	0.42%	0.335%	0.200%	0.598	0.732
12/5/2008	39.86	0.43%	0.198%	36.89	1.57%	0.110%	876.07	-2.25%	0.334%	0.202%	0.604	0.736
11/28/2008	39.69	3.25%	0.199%	36.32	2.05%	0.112%	896.24	12.03%	0.334%	0.202%	0.604	0.736
11/21/2008	38.44	-1.03%	0.185%	35.59	1.08%	0.102%	800.03	-8.39%	0.286%	0.173%	0.651	0.768
11/14/2008	38.84	-1.80%	0.183%	35.21	1.09%	0.106%	873.29	-6.20%	0.251%	0.170%	0.676	0.784
11/7/2008	39.55	0.46%	0.182%	34.83	1.43%	0.111%	930.99	-3.90%	0.249%	0.172%	0.688	0.792
10/31/2008	39.37	6.32%	0.183%	34.34	-0.78%	0.113%	968.75	10.49%	0.247%	0.170%	0.688	0.792
10/24/2008	37.03	2.66%	0.157%	34.61	3.34%	0.116%	876.77	-6.78%	0.195%	0.143%	0.734	0.823
10/17/2008	36.07	1.84%	0.161%	33.49	3.81%	0.123%	940.55	4.60%	0.186%	0.148%	0.797	0.865
10/10/2008	35.42	-20.37%	0.158%	32.26	-13.16%	0.118%	899.22	-18.20%	0.184%	0.147%	0.799	0.866
10/3/2008	44.48	1.44%	0.026%	37.15	-3.81%	0.033%	1,099.23	-9.38%	0.073%	0.039%	0.537	0.691
9/26/2008	43.85	-1.19%	0.036%	38.62	0.57%	0.025%	1,213.01	-3.35%	0.052%	0.033%	0.638	0.758
9/19/2008	44.38	0.34%	0.035%	38.40	0.68%	0.026%	1,255.08	0.27%	0.048%	0.031%	0.643	0.762
9/12/2008	44.23	4.76%	0.036%	38.14	2.80%	0.032%	1,251.70	0.76%	0.052%	0.033%	0.637	0.758
9/5/2008	42.22	-3.34%	0.035%	37.10	-1.09%	0.031%	1,242.31	-3.16%	0.052%	0.032%	0.618	0.745
8/29/2008	43.68	-2.15%	0.032%	37.51	-0.74%	0.030%	1,282.83	-0.73%	0.051%	0.031%	0.602	0.734
8/22/2008	44.64	0.09%	0.033%	37.79	0.93%	0.032%	1,292.20	-0.46%	0.052%	0.033%	0.628	0.752
8/15/2008	44.60	1.13%	0.033%	37.44	2.38%	0.032%	1,298.20	0.15%	0.052%	0.033%	0.625	0.750
8/8/2008	44.10	7.40%	0.033%	36.57	5.72%	0.032%	1,296.32	2.86%	0.053%	0.032%	0.605	0.737
8/1/2008	41.06	-0.05%	0.028%	34.59	-1.54%	0.032%	1,260.31	0.20%	0.057%	0.030%	0.538	0.692
7/25/2008	41.08	0.49%	0.036%	35.13	0.83%	0.039%	1,257.76	-0.23%	0.067%	0.038%	0.576	0.717
7/18/2008	40.88	-1.33%		34.84	-3.20%		1,260.68	1.71%				
7/11/2008	41.43	0.00%		35.99	1.90%		1,239.49	-1.85%				
7/4/2008	41.43	-0.31%		35.32	2.56%		1,262.90	-1.21%				
6/27/2008	41.56	-1.87%		34.43	-0.17%		1,278.38	-3.00%				
6/20/2008	42.35	-1.58%		34.49	-1.71%		1,317.93	-3.10%				
6/13/2008	43.03	2.04%		35.09	0.49%		1,360.03	-0.05%				
6/6/2008	42.17	-1.38%		34.92	-3.54%		1,360.68	-2.83%				
5/30/2008	42.76	2.57%		36.20	0.56%		1,400.38	1.78%				
5/23/2008	41.69	-0.79%		36.00	-2.01%		1,375.93	-3.47%				
5/16/2008	42.02	0.89%		36.74	1.24%		1,425.35	2.67%				
5/9/2008	41.65	-2.89%		36.29	-2.21%		1,388.28	-1.81%				
5/2/2008	42.89	4.25%		37.11	0.03%		1,413.90	1.15%				
4/25/2008	41.14	-2.95%		37.10	0.41%		1,397.84	0.54%				
4/18/2008	42.39	0.57%		36.95	1.79%		1,390.33	4.31%				
4/11/2008	42.15	-1.61%		36.30	-0.58%		1,332.83	-2.74%				
4/4/2008	42.84	3.30%		36.51	3.22%		1,370.40	4.20%				
3/28/2008	41.47	-0.84%		35.37	-2.10%		1,315.22	-1.07%				
3/21/2008	41.82	1.21%		36.13	4.88%		1,329.51	3.21%				
3/14/2008	41.32	-0.53%		34.45	0.47%		1,288.14	-0.40%				
3/7/2008	41.54	-0.88%		34.29	-0.70%		1,293.37	-2.80%				
2/29/2008	41.91	-4.03%		34.53	-2.79%		1,330.63	-1.66%				
2/22/2008	43.67	-1.47%		35.52	-0.73%		1,353.11	0.23%				
2/15/2008	44.32	-0.16%		35.78	0.08%		1,349.99	1.40%				
2/8/2008	44.39	-2.27%		35.75	-4.16%		1,331.29	-4.60%				
2/1/2008	45.42	4.15%		37.30	3.35%		1,395.42	4.87%				
1/25/2008	43.61			36.09			1,330.61					

BETA ANALYSIS



BOND YIELD PLUS RISK PREMIUM

Quarter	Average Authorized Electric Utility ROE [1]	Average 30-Yr. Treasury Yield [2]	Risk Premium (ROE-30 Treasury Yield)
1992.1	12.38%	7.84%	4.55%
1992.2	11.83%	7.88%	3.94%
1992.3	12.03%	7.42%	4.62%
1992.4	12.14%	7.54%	4.60%
1993.1	11.84%	7.01%	4.83%
1993.2	11.64%	6.86%	4.78%
1993.3	11.15%	6.23%	4.92%
1993.4	11.04%	6.21%	4.84%
1994.1	11.07%	6.66%	4.40%
1994.2	11.13%	7.45%	3.68%
1994.3	12.75%	7.55%	5.20%
1994.4	11.24%	7.95%	3.29%
1995.1	11.96%	7.52%	4.44%
1995.2	11.32%	6.87%	4.45%
1995.3	11.37%	6.66%	4.71%
1995.4	11.58%	6.14%	5.45%
1996.1	11.46%	6.39%	5.07%
1996.2	11.46%	6.92%	4.54%
1996.3	10.70%	7.00%	3.70%
1996.4	11.56%	6.54%	5.02%
1997.1	11.08%	6.90%	4.18%
1997.2	11.62%	6.88%	4.73%
1997.3	12.00%	6.44%	5.56%
1997.4	11.06%	6.04%	5.02%
1998.1	11.31%	5.89%	5.43%
1998.2	12.20%	5.79%	6.41%
1998.3	11.65%	5.32%	6.33%
1998.4	12.30%	5.11%	7.20%
1999.1	10.40%	5.43%	4.97%
1999.2	10.94%	5.82%	5.12%
1999.3	10.75%	6.07%	4.68%
1999.4	11.10%	6.31%	4.79%
2000.1	11.08%	6.15%	4.93%
2000.2	11.00%	5.95%	5.05%
2000.3	11.68%	5.78%	5.90%
2000.4	12.50%	5.62%	6.88%
2001.1	11.38%	5.42%	5.96%
2001.2	10.88%	5.77%	5.11%
2001.3	10.78%	5.44%	5.34%
2001.4	11.57%	5.21%	6.36%
2002.1	10.05%	5.55%	4.50%
2002.2	11.41%	5.57%	5.83%
2002.3	11.25%	4.96%	6.29%
2002.4	11.57%	4.93%	6.63%
2003.1	11.43%	4.78%	6.65%
2003.2	11.16%	4.57%	6.60%
2003.3	9.88%	5.15%	4.72%
2003.4	11.09%	5.11%	5.98%
2004.1	11.00%	4.86%	6.14%
2004.2	10.64%	5.31%	5.33%
2004.3	10.75%	5.01%	5.74%
2004.4	10.91%	4.87%	6.04%
2005.1	10.55%	4.69%	5.86%
2005.2	10.13%	4.34%	5.78%
2005.3	10.85%	4.43%	6.41%
2005.4	10.59%	4.66%	5.93%
2006.1	10.38%	4.69%	5.69%
2006.2	10.63%	5.19%	5.43%
2006.3	10.06%	4.90%	5.16%
2006.4	10.37%	4.70%	5.68%
2007.1	10.39%	4.81%	5.58%
2007.2	10.27%	4.98%	5.28%
2007.3	10.02%	4.85%	5.16%
2007.4	10.39%	4.53%	5.86%
2008.1	10.15%	4.34%	5.81%
2008.2	10.54%	4.57%	5.97%
2008.3	10.38%	4.44%	5.95%
2008.4	10.36%	3.49%	6.87%
2009.1	10.53%	3.62%	6.91%
2009.2	10.50%	4.23%	6.27%
2009.3	10.46%	4.18%	6.28%
2009.4	10.54%	4.35%	6.19%
2010.1	10.35%	4.52%	5.82%
Mean	*11.07%*	*5.66%*	*5.42%*

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.799683247
R Square	0.639493295
Adjusted R Square	0.634415736
Standard Error	0.005061059
Observations	73

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	0.003225995	0.003225995	125.9450194	2.1827E-17
Residual	71	0.001818616	2.56143E-05		
Total	72	0.005044612			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	0.08869211	0.003134062	28.29941092	2.12115E-40	0.082442968	0.094941253	0.082442968	0.094941253
X Variable 1	-0.61027983	0.054379914	-11.22252286	2.1827E-17	-0.718710297	-0.501849362	-0.718710297	-0.501849362

Scenario (30-year Treasury Yield)	30-year Treasury	Risk Prem. [3]	ROE
Blue Chip Consensus Forecast (2009-2011) [4]	4.90%	5.88%	10.78%
Blue Chip Consensus Forecast (2011 - 2020) [5]	5.75%	5.36%	11.11%
MEAN		5.62%	10.94%

Notes
[1] Source: Regulatory Research Associates, *Rate Case Statistics*, accessed January 5, 2010.
[2] Source: Bloomberg Professional Service. Quarterly T-bond yields are the average of the last trading day of each month in the quarter.
[3] Independent variable = Treasury Yield; Dependent Variable = Risk Premium.
[4] Source: Aspen Publishers, *Blue Chip Financial Forecasts*, Vol. 29, No. 2 February 1, 2010, p. 2
[5] Source: Aspen Publishers, *Blue Chip Financial Forecasts*, Vol. 28, No. 12 December 1, 2009, p.14

Nuclear Cost Recovery Mechanisms

Company	Plant	State	Alternate Cost Recovery Mechanism Description	Pre Construction	Financing	Constr Carrying Cost	Construction	Prudency	Abandoned
Progress Energy	Levy County	FL	Site-selection costs, pre-construction costs and the carrying cost of construction (AFUDC) may be recovered in rates after determination of need and before construction; Annual prudence reviews; Once found prudent, costs may not be disallowed. Rate base increase once plant is placed in service based on first 12 month revenue requirement; utility may elect not to complete project; if project is stopped all prudent costs incurred may be recovered in rates.	Site selection costs, pre-construction costs and carrying charge may be recovered BEFORE construction		May be collected once construction begins, AFUDC rate	Once Construction is complete	Annual prudency review	Recoverable
Southern Co	Vogtle	GA	Utility may recover cost of financing construction from customers (based on cost of capital); a utility can recover pre-approved costs after a plant is built or canceled; costs incurred above those pre-approved are subject to prudency review; if PSC cancels project, utility may recover what it has spent plus carrying cost of the investment; progress reports required ever 1-3 years; "Compliance with the provisions of the certificate as approved or modified by the commission shall result in a presumption of prudence."	No pre-construction cost recovery	Cost of financing recoverable - based on cost of debt and authorized return on equity		A utility is entitled to recover pre-approved costs after a plant is built or canceled.	Costs above those approved are subject to prudency review. "Compliance with the provisions of the certificate as approved or modified by the commission shall result in a presumption of prudence."	Actual expenses recoverable + carrying costs
Duke Progress Energy	Davie County Harris	NC NC	Incurred costs may be periodically reviewed and added to the rate base even if that facility is not yet complete. NCUC can review and find prudent the activities associated with developing a nuclear plant, *but not* any specific costs of development; the project cannot be cancelled without approval by the NCUC; Annual reports submitted; NCUC may approve or deny incurred costs and revised cost estimates; expenditures that have been reviewed and approved can be recovered through rates without further review; costs for a canceled plant may be recovered; NCUC can rule on the prudence of a utility incurring project development costs without actually ruling on the prudence of specific actions.				Costs incurred can be added to rate base even if the facility is not yet complete	Must file reports twice a year on progress and spending on the project. NCUC can review prudency of activities, but not specific costs of development.	Recoverable
Duke Duke SCE&G	William States Lee Oconee VC Summer	SC SC SC	Specific project development costs may be disputed by any party during ratemaking procedure; pre-construction, development costs and AFUDC can be included in rates *when plant goes into service*. If cancelled, costs incurred may be recovered; utility may collect the carrying cost of CWIP during construction; quarterly reports are required.	Pre-construction, development and AFUDC costs recoverable once plant placed in service	Cost of financing recoverable before construction completion	Filings may be made annually to collect carrying cost of CWIP	Once Construction is complete	Full pre-construction prudency review.	Recoverable

PROXY GROUP MEDIAN MARKET CAPITALIZATION

Company Name (Ticker)	Ticker	Customers (Mil) [1]	Market Cap ($Bil) [2]	Market to Book Ratio [2]
American Electric Power	AEP	5.2	$ 16.4	1.24
Cleco Corp.	CNL	0.3	$ 1.6	1.44
DPL, Inc.	DPL	0.5	$ 3.3	2.95
Duke Energy Co	DUK	4.5	$ 21.6	0.99
IDACORP, Inc.	IDA	0.5	$ 1.7	1.18
Northeast Utilities	NU	2.1	$ 4.7	1.31
Portland General	POR	3.1	$ 1.4	0.94
Progress Energy	PGN	0.8	$ 11.1	1.15
Southern Co.	SO	4.4	$ 26.7	1.78
MEDIAN		2.1	$ 4.69	1.24
MEAN		2.4	$ 9.8	1.44

SIZE PREMIUM CALCULATION

SCE&G Equity ($ Millions)		2,553	[3]
Median Market to Book for Comp Group	$	1.24	
SCE&G Implied Market Cap ($ Millions)		3,172	

Market Capitalization (in $millions)

Decile	Low	High	Size Premium [4]	
2	$ 5,975.836	$ 14,691.668	0.74%	
3	$ 3,428.570	$ 5,936.147	0.85%	
4	$ 2,386.985	$ 3,414.634	1.15%	
5	$ 1,602.429	$ 2,384.026	1.69%	
6	$ 1,063.333	$ 1,600.169	1.73%	
7	$ 685.129	$ 1,063.308	1.73%	
8	$ 432.175	$ 684.790	2.49%	
9	$ 214.194	$ 431.256	2.85%	
10	$ 1.007	$ 214.111	6.28%	
Proxy Group Median		$ 4,693.920	0.85%	
SCE&G Implied Market Capitalization		$ 3,171.705	1.15%	
Difference from Proxy Group Median			0.30%	[5]

NOTES

[1] Includes electric and gas. Source: SNL Financial
[2] SNL Financial as of March 12, 2010.
[3] Represents proposed equity portion of total ratebase [$4,820.908 million * 52.96%] as per Application filed in this Case.
[4] Source: 2010 Morningstar Risk Premia Over Time Report; Estimates for 1926 - 2009
[5] Equals 1.15%-.85%

FLOTATION COST ADJUSTMENT

Flotation Costs from Inception to Date

Issuing Entity	Date	Shares Issued	Market Price	Offering Price	Underwriting Discount	Offering Expense	Net Proceeds	Total Flotation Costs	Gross Equity Issue before Costs	Net Proceeds	Flotation Cost Percentage
SCANA	12/31/2008	2,500,000		$35.50	$0.5323	$350,000	$34.846	$1,880,219	$102,062,500	$100,182,281	1.842%
SCANA	10/10/2002	5,250,000		$25.10	$0.8157	$220,000	$24.242	$4,502,425	$131,775,000	$127,272,575	3.417%
American Electric Power	4/2/2009	60,000,000		$24.50	$0.7350	$400,000	$23.758	$44,500,000	$1,470,000,000	$1,425,500,000	3.027%
American Electric Power	2/27/2003	50,000,000		$20.95	$0.6285	$550,000	$20.311	$31,975,000	$1,047,500,000	$1,015,525,000	3.053%
Cleco Corporation	8/14/2006	6,000,000		$23.75	$0.8900	$225,000	$22.823	$5,565,000	$142,500,000	$136,935,000	3.905%
Cleco Corporation	11/9/2004	1,750,000		$18.50	$0.6475	$200,000	$17.738	$1,333,125	$32,375,000	$31,041,875	4.118%
IDACORP	12/9/2004	3,500,000		$30.00	$1.2000	$300,000	$28.714	$4,500,000	$105,000,000	$100,500,000	4.286%
Northeast Utilities	3/16/2009	16,500,000		$20.20	$0.6565	$335,000	$19.523	$11,167,250	$333,300,000	$322,132,750	3.351%
Northeast Utilities	12/12/2005	20,000,000		$19.09	$0.6200	$340,000	$18.453	$12,740,000	$381,800,000	$369,060,000	3.337%
Portland General	3/4/2009	10,850,000		$14.10	$0.4935	$375,000	$13.572	$5,729,475	$152,985,000	$147,255,525	3.745%
Portland General	6/12/2007	21,000,000		$26.00	$0.7800	$700,000	$25.187	$17,080,000	$546,000,000	$528,920,000	3.128%
Progress Energy	1/12/2009	12,500,000		$37.50	$1.1250	$300,000	$36.351	$14,362,500	$468,750,000	$454,387,500	3.064%
Progress Energy	11/6/2002	14,670,000		$41.90	$1.0000	$625,000	$40.857	$15,295,000	$614,673,000	$599,378,000	2.488%
Southern Co	11/21/2000	25,000,000		$28.50	$0.9200	$490,000	$27.560	$23,490,000	$712,500,000	$689,010,000	3.297%
Weighted Average Flotation Costs								$194,119,994	$6,241,220,500	$6,047,100,506	3.110%
									FLOTATION COSTS		3.11%

Flotation Cost Adjustment - Electric Proxy Group

		[1] Stock Price	[2] Annualized Dividend	[3] Dividend Yield	[4] Expected Dividend Yield	[5] Expected Dividend Yield Adjusted for Flotation Costs	[6] Proj EPS Growth (Zacks)	[7] Proj EPS Growth (V.L.)	[8] Proj EPS Growth (First Call)	[9] Average Growth Estimate	[10] DCF k(e)	[11] Flotation Adjusted DCF k(e)
ELECTRIC UTILITIES												
American Electric Power	AEP	$34.44	$1.64	4.76%	4.85%	5.00%	3.60%	3.00%	4.00%	3.53%	8.38%	8.53%
Cleco Corp.	CNL	$25.81	$0.90	3.49%	3.65%	3.76%	9.00%	9.50%	9.00%	9.17%	12.81%	12.93%
DPL, Inc.	DPL	$27.11	$1.21	4.46%	4.60%	4.75%	5.00%	9.00%	4.47%	6.16%	10.76%	10.91%
Duke Energy Corp.	DUK	$16.54	$0.96	5.81%	5.94%	6.13%	4.40%	5.50%	4.33%	4.74%	10.69%	10.88%
IDACORP, Inc.	IDA	$32.06	$1.20	3.74%	3.83%	3.96%	5.00%	4.50%	5.00%	4.83%	8.67%	8.79%
Northeast Utilities	NU	$25.73	$1.03	3.98%	4.14%	4.28%	8.90%	7.00%	8.01%	7.97%	12.11%	12.25%
Portland General	POR	$19.39	$1.02	5.26%	5.39%	5.56%	5.30%	3.50%	5.80%	4.87%	10.26%	10.43%
Progress Energy	PGN	$38.65	$2.48	6.42%	6.55%	6.76%	4.00%	4.50%	3.72%	4.07%	10.62%	10.83%
Southern Co.	SO	$32.19	$1.75	5.44%	5.58%	5.76%	7.10%	4.50%	4.77%	5.46%	11.04%	11.22%
MEAN											10.59%	10.75%

MEAN		10.75%
UNADJUSTED CONSTANT GROWTH DCF MEAN		10.59%
DIFFERENCE (FLOTATION COST ADJUSTMENT)	[12]	0.16%

[1] Source: Bloomberg, 30 day average price as of February 26, 2010
[2] Bloomberg
[3] = [1] / [2] or [Annualized Dividend] / [Price]
[4] = [3] x [1+ .5g] or [Dividend Yield] x [1 + (.5 x average growth rate)]
[5] = [Expected Dividend Yield] / [1- Flotation Cost Percentage]
[6] Source: Zacks
[7] Source Value Line
[8] Source: First Call via Yahoo! Finance
[9] Average of columns [6], [7], [8]
[10] = (Column [4] + Column [9]
[11] = (Column [5] + Column [9]
[12] Equals Mean Adjusted DCF, Column [11] - Mean Unadjusted DCF, Column [10]

Equity Ratio

Summary Data

Company Name	Ticker	2009 Q3	2009 Q2	2009 Q1	2008 Q4	2008 Q3	2008 Q2	2008 Q1	2007 Q4	Overall Average
American Electric Power	AEP	49.15%	49.04%	47.93%	48.75%	48.49%	48.09%	48.33%	48.00%	48.47%
Cleco Power LLC	CNL	47.08%	46.43%	46.66%	45.07%	47.49%	46.53%	49.25%	58.50%	48.38%
Dayton Power and Light Company	DPL	61.39%	60.93%	60.88%	62.56%	65.82%	64.98%	61.45%	61.45%	62.43%
Duke Energy Corp	DUK	54.56%	54.24%	53.44%	52.45%	53.45%	56.22%	56.73%	56.90%	54.75%
IDACORP, Inc.	IDA	48.15%	46.98%	46.70%	48.49%	47.84%	49.62%	49.56%	49.36%	48.34%
Northern Utilities	NU	50.84%	50.36%	49.33%	49.83%	49.66%	48.95%	50.53%	49.99%	49.94%
Progress Energy	PGN	55.69%	54.55%	53.96%	55.70%	55.37%	54.15%	51.43%	52.82%	54.21%
Portland General	POR	49.37%	49.17%	51.68%	50.90%	50.89%	50.92%	51.42%	50.06%	50.55%
Southern Co.	SO	52.28%	50.96%	51.39%	53.14%	54.87%	53.96%	54.85%	56.40%	53.48%
Proxy Group Average										52.28%

Underlying Data

		Equity Ratio							
Company Name	Ticker	2009 Q3	2009 Q2	2009 Q1	2008 Q4	2008 Q3	2008 Q2	2008 Q1	2007 Q4
AEP Texas Central Company	AEP	43.91%	46.38%	44.26%	43.96%	42.70%	42.09%	37.40%	40.57%
AEP Texas North Company	AEP	46.81%	46.69%	46.90%	46.90%	47.47%	47.34%	55.42%	55.42%
Appalachian Power Company	AEP	44.98%	44.74%	41.04%	43.00%	43.52%	42.97%	40.03%	42.62%
Columbus Southern Power Company	AEP	46.18%	46.81%	46.39%	46.40%	47.26%	45.93%	49.00%	47.33%
Indiana Michigan Power Company	AEP	45.86%	45.42%	43.20%	51.18%	51.09%	50.48%	49.14%	47.10%
Kentucky Power Company	AEP	44.00%	43.94%	48.92%	48.74%	47.70%	47.17%	46.70%	46.32%
Kingsport Power Company	AEP	55.30%	54.84%	55.05%	55.59%	55.66%	56.38%	55.90%	56.03%
Ohio Power Company	AEP	50.27%	53.45%	48.16%	47.41%	48.97%	50.74%	49.37%	48.03%
Public Service Company of Oklahoma	AEP	48.71%	47.61%	45.02%	45.99%	45.69%	44.75%	42.63%	41.30%
Southwestern Electric Power Company	AEP	51.60%	48.26%	47.39%	46.83%	42.67%	41.63%	47.58%	46.25%
Wheeling Power Co	AEP	62.98%	61.25%	60.92%	60.29%	60.62%	59.50%	58.44%	57.06%
Cleco Power LLC	CNL	47.08%	46.43%	46.66%	45.07%	47.49%	46.53%	49.25%	58.50%
Dayton Power and Light Company	DPL	61.39%	60.93%	60.88%	62.56%	65.82%	64.98%	61.45%	61.45%
Duke Energy Carolinas, LLC	DUK	53.53%	52.71%	51.39%	50.13%	50.90%	50.84%	53.98%	55.16%
Duke Energy Kentucky, Inc.	DUK	55.58%	55.78%	55.49%	54.76%	56.00%	61.59%	59.47%	58.64%
Idaho Power Co.	IDA	48.15%	46.98%	46.70%	48.49%	47.84%	49.62%	49.56%	49.36%
Connecticut Light and Power Company	NU	51.66%	51.07%	50.36%	52.57%	50.82%	49.54%	53.12%	52.29%
Public Service Company of New Hampshire	NU	51.26%	50.98%	48.85%	47.99%	46.65%	45.96%	48.71%	48.25%
Western Massachusetts Electric Company	NU	49.62%	49.01%	48.78%	48.93%	51.49%	51.34%	49.76%	49.45%
Carolina Power & Light Company	PGN	55.69%	54.55%	53.96%	55.70%	55.37%	54.15%	51.43%	52.82%
Portland General Electric Company	POR	49.37%	49.17%	51.68%	50.90%	50.89%	50.92%	51.42%	50.06%
Alabama Power Company	SO	48.89%	46.71%	46.69%	48.62%	49.43%	49.01%	49.04%	50.28%
Georgia Power Company	SO	52.40%	50.44%	49.34%	49.74%	51.91%	50.54%	51.18%	52.49%
Gulf Power Company	SO	49.17%	48.69%	51.76%	52.00%	52.15%	51.61%	54.81%	52.84%
Mississippi Power Company	SO	58.65%	57.98%	57.78%	62.18%	65.98%	64.66%	64.37%	69.98%

Long Term Debt Ratio

Summary Data

Company Name	Ticker	2009 Q3	2009 Q2	2009 Q1	2008 Q4	2008 Q3	2008 Q2	2008 Q1	2007 Q4	Overall Average
American Electric Power	AEP	50.85%	50.96%	52.07%	51.25%	51.51%	51.91%	51.67%	52.00%	51.53%
Cleco Power LLC	CNL	52.92%	53.57%	53.34%	54.93%	52.51%	53.47%	50.75%	41.50%	51.62%
Dayton Power and Light Company	DPL	38.61%	39.07%	39.12%	37.44%	34.18%	35.02%	38.55%	38.55%	37.57%
Duke Energy Corp	DUK	45.44%	45.76%	46.56%	47.55%	46.55%	43.78%	43.27%	43.10%	45.25%
IDACORP, Inc.	IDA	51.85%	53.02%	53.30%	51.51%	52.16%	50.38%	50.44%	50.64%	51.66%
Northern Utilities	NU	49.16%	49.64%	50.67%	50.17%	50.34%	51.05%	49.47%	50.01%	50.06%
Progress Energy	PGN	44.31%	45.45%	46.04%	44.30%	44.63%	45.85%	48.57%	47.18%	45.79%
Portland General	POR	50.63%	50.83%	48.32%	49.10%	49.11%	49.08%	48.58%	49.94%	49.45%
Southern Co.	SO	47.72%	49.04%	48.61%	46.86%	45.13%	46.04%	45.15%	43.60%	46.52%
Proxy Group Average										47.72%

Underlying Data

Long Term Debt Ratio									
Company Name	Ticker	2009 Q3	2009 Q2	2009 Q1	2008 Q4	2008 Q3	2008 Q2	2008 Q1	2007 Q4
AEP Texas Central Company	AEP	56.09%	53.62%	55.74%	56.04%	57.30%	57.91%	62.60%	59.43%
AEP Texas North Company	AEP	53.19%	53.31%	53.10%	53.10%	52.53%	52.66%	44.58%	44.58%
Appalachian Power Company	AEP	55.02%	55.26%	58.96%	57.00%	56.48%	57.03%	59.97%	57.38%
Columbus Southern Power Company	AEP	53.82%	53.19%	53.61%	53.60%	52.74%	54.07%	51.00%	52.67%
Indiana Michigan Power Company	AEP	54.14%	54.58%	56.80%	48.82%	48.91%	49.52%	50.86%	52.90%
Kentucky Power Company	AEP	56.00%	56.06%	51.08%	51.26%	52.30%	52.83%	53.30%	53.68%
Kingsport Power Company	AEP	44.70%	45.16%	44.95%	44.41%	44.34%	43.62%	44.10%	43.97%
Ohio Power Company	AEP	49.73%	46.55%	51.84%	52.59%	51.03%	49.26%	50.63%	51.97%
Public Service Company of Oklahoma	AEP	51.29%	52.39%	54.98%	54.01%	54.31%	55.25%	57.37%	58.70%
Southwestern Electric Power Company	AEP	48.40%	51.74%	52.61%	53.17%	57.33%	58.37%	52.42%	53.75%
Wheeling Power Co	AEP	37.02%	38.75%	39.08%	39.71%	39.38%	40.50%	41.56%	42.94%
Cleco Power LLC	CNL	52.92%	53.57%	53.34%	54.93%	52.51%	53.47%	50.75%	41.50%
Dayton Power and Light Company	DPL	38.61%	39.07%	39.12%	37.44%	34.18%	35.02%	38.55%	38.55%
Duke Energy Carolinas, LLC	DUK	46.47%	47.29%	48.61%	49.87%	49.10%	49.16%	46.02%	44.84%
Duke Energy Kentucky, Inc.	DUK	44.42%	44.22%	44.51%	45.24%	44.00%	38.41%	40.53%	41.36%
Idaho Power Co.	IDA	51.85%	53.02%	53.30%	51.51%	52.16%	50.38%	50.44%	50.64%
Connecticut Light and Power Company	NU	48.34%	48.93%	49.64%	47.43%	49.18%	50.46%	46.88%	47.71%
Public Service Company of New Hampshire	NU	48.74%	49.02%	51.15%	52.01%	53.35%	54.04%	51.29%	51.75%
Western Massachusetts Electric Company	NU	50.38%	50.99%	51.22%	51.07%	48.51%	48.66%	50.24%	50.55%
Carolina Power & Light Company	PGN	44.31%	45.45%	46.04%	44.30%	44.63%	45.85%	48.57%	47.18%
Portland General Electric Company	POR	50.63%	50.83%	48.32%	49.10%	49.11%	49.08%	48.58%	49.94%
Alabama Power Company	SO	51.11%	53.29%	53.31%	51.38%	50.57%	50.99%	50.96%	49.72%
Georgia Power Company	SO	47.60%	49.56%	50.66%	50.26%	48.09%	49.46%	48.82%	47.51%
Gulf Power Company	SO	50.83%	51.31%	48.24%	48.00%	47.85%	48.39%	45.19%	47.16%
Mississippi Power Company	SO	41.35%	42.02%	42.22%	37.82%	34.02%	35.34%	35.63%	30.02%